

Ohio Office of Budget  
and Management

State of Ohio  
*Bob Taft*  
Governor



**OHIO**

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FOR THE FISCAL YEAR  
ENDED JUNE 30, 2005

## **ACKNOWLEDGMENTS**

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**BOB TAFT**  
**GOVERNOR**

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and Management

Prepared by Division of  
State Accounting



**OHIO**

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FOR THE FISCAL YEAR  
ENDED JUNE 30, 2005

**STATE OF OHIO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
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# **INTRODUCTORY SECTION**







May 12, 2006

To the Governor, the Honorable Members of the General Assembly, and the Citizens of Ohio:

It is my privilege to issue the *Ohio Comprehensive Annual Financial Report* (CAFR) on the financial condition of the State of Ohio for the fiscal year ended June 30, 2005. The report is prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Ohio Office of Budget and Management (OBM) pursuant to Section 126.21, Ohio Revised Code, which requires that an official financial report of the State be issued annually, prepared this report. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations.

OBM is responsible for the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The State's basic financial statements include all funds that comprise the State's legal entity or primary government. The State's reporting entity is also comprised of its component units for which the elected officials of the State's primary government are financially accountable. We followed the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, to determine the organizations for which the State is financially accountable. NOTE 1A. to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The CAFR includes the following: introductory section; financial section that presents the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, combining financial statements, supporting schedules, and fund descriptions; and a statistical section that presents data for the State of Ohio regarding financial trends, operations, revenue and debt capacities, demographics, and the economy.

The MD&A, which is required under GAAP to accompany the basic financial statements, provides a narrative, introduction, overview, and analysis. The MD&A should be read in conjunction with the State's financial statements and this letter.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

## PROFILE OF THE GOVERNMENT

The State of Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government — executive, legislative, and judicial.

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. The State Board of Education is also part of the executive branch. Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages 13 and 14.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term-limits; senators are re-

stricted to serving two four-year terms, and representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Along with the establishment of our state governmental structure, the Constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years – a biennium –, which begins on July 1 of odd-numbered years and ends 24 months later on June 30.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, liquor control, and other business-type activities.

#### **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

In fiscal year 1992, an executive order initiated the Internal Accounting Control Program (IACP). The IACP establishes written guidelines for state agencies to follow during periodic management reviews of their accounting operations. Under the program, agencies are required to formally establish, maintain, and annually evaluate and report on internal accounting control.

The State's Central Accounting System (CAS) achieves budgetary control over the various accounts of the State's funds. The General Assembly, authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. The Office of Budget and Management uses the CAS to control departmental obligation and expenditure activity to ensure authorized appropriations are not exceeded.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major special revenue funds, these comparisons are presented as part of the basic financial statements. For other budgeted governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the nonmajor governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The CAS maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the CAS for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

#### **CASH MANAGEMENT**

In Ohio, with the exception of certain organizations within the State's reporting entity that have independent powers to manage and invest their funds, the Treasurer of State is responsible for investing the State's cash and investments pool.

During fiscal year 2005, cash management and investment transactions made by the Treasurer of State's Office, in accordance with the Uniform Depository Act, were limited to checking accounts and certificates of deposit with qualified public depositories, U.S. government and agency obligations, bonds and other direct obligations of the State of Ohio, obligations of a board of education, as author-

ized under Sections 133.10 or 133.301, Ohio Revised Code, commercial paper, repurchase agreements, no-load money market mutual funds, bankers' acceptances, bonds of U.S. corporations or of foreign nations diplomatically recognized by the United States, security lending agreements, and the Treasurer's investment pool, STAR Ohio. Legal requirements for the investment of funds maintained in the State's cash and investments pool are discussed in NOTE 4 to the financial statements.

Quarterly, OBM allocates the investment income earned on the cash and investments pool to the various funds designated by law to receive the earnings. The allocation is calculated in accordance with a formula based on average daily cash balances invested over the quarter. The Ohio Lottery Commission's investment portfolio, which is dedicated to the payment of deferred lottery prizes and is accounted for as part of the cash and investments pool, however, is not part of the investment earnings allocation just described. Instead, the Treasurer of State credits the investment earnings from the dedicated portfolio directly to the credit of the fund that accounts for this activity.

#### **RETIREMENT SYSTEMS**

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

#### **RISK MANAGEMENT**

As discussed in NOTE 1P. to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health and United Healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

#### **ECONOMIC OVERVIEW AND OUTLOOK**

Economic growth continued through 2005 at a solid but somewhat slower pace. Held back in the fourth quarter by the after-effects of the late summer hurricanes along the Gulf Coast, real GDP expanded by 3.5 percent, compared with growth of 4.2 percent in 2004. Consumer spending accounted for most of the increase, followed by business investment in equipment and software, government purchases, investment in residential structures, and net exports.

Business inventories shrank in response to the strong demand.

Consumer spending was fueled by solid increases in personal income, arising from steady growth in hourly earnings and employment. Average hourly earnings grew by 3.2 percent from December 2004 to December 2005 and continued to accelerate in 2006. Total employment increased by almost 200,000 jobs per month on average through August 2005. After slowing for two months due to damage from the hurricanes, employment growth rebounded to its previous pace in November and following months. In addition, consumers borrowed more on credit cards and against their homes, pushing the quarterly saving rate into negative territory for the first time on record in the third quarter of 2005 and again in the fourth quarter.

Flush with high profits and heavy cash flow, corporations continued to increase capital expenditures at a brisk, though slower, pace in 2005 than in 2004. Investment in equipment and software increased at an annual rate of 8.7 percent, down from 13.8 percent in 2004. Again the hurricanes restrained growth late in the third period.

Home building and remodeling also made solid contributions to overall growth again in 2005, with investment in residential structures rising 7.6 percent during 2005, compared with 6.6 percent in 2004. Low mortgage rates and easier credit terms combined with high confidence levels through much of the period to support housing activity. Construction was begun on more houses in 2005 than in any year since 1973. Sales of new and of existing homes both set new record highs. Signs of weakness in the housing sector have begun to surface, with inventories of unsold homes rising and prices rising less rapidly or even falling in some markets.

The more than 20-percent depreciation in the foreign exchange value of the dollar during the last four years began to affect trade flows in 2005. The trade deficit continued to widen during the year, but by less than in 2004. In addition to the cheaper dollar, a strengthening in growth overseas added to demand for U.S. exports, which increased by 6.9 percent in 2005. Imports grew by 6.4 percent.

The Ohio economy continued to move forward unevenly in 2005. Activity was supported by strong domestic motor vehicle production, growing demand overseas for U.S. manufactured goods, and residential construction activity. Employment growth resumed in 2005 after the second-half slide in 2004, with the number of jobs rising by 29,300 from December 2004 to December 2005. The fastest growing major sectors in terms of employment were Professional & Business Services, Education & Health Services, and Leisure & Hospitality. The unemployment rate was stable during 2005, ending the

year at 5.9 percent, compared with the national unemployment rate of 4.9 percent.

Ohio personal income grew by 4.4 percent in 2005, driven by modest job growth and improving growth in wages and salaries. This marked the fastest rate of increase in Ohio personal income since 2000, following growth of 4.2 percent in 2004, 2.8 percent in 2003, 2.3 percent in 2002, and 1.6 percent in 2001. U.S. personal income growth slowed in 2005 to 5.5 percent from 5.9 percent in 2004.

The consensus is for a rebound in economic growth nationally in 2006, after the temporary slowdown in response to the Gulf Coast hurricanes. Forecasters trimmed their projections for growth in late 2005 by 0.5 to 1.0 percentage points and raised projections for growth during the first half of 2006 by like amounts. The performance of the economy early in 2006 has been in line with expectations of stronger growth.

Hurricanes Katrina, Rita, and Wilma destroyed an estimated \$100-\$200 billion in wealth, displaced thousands of families and workers, created large uninsured losses, and severely disrupted energy production and distribution facilities and shipping through the Port of New Orleans. Although significant in absolute terms, these effects are very small relative to the \$11 trillion U.S. economy, and not likely to stop its strong momentum.

Consumer spending slowed in the fourth quarter in response to the hurricane-related disruptions, elevated energy prices, and a decline in motor vehicle sales arising from the end of premium sales incentives. Consumer confidence fell sharply late in 2005 – particularly among lower income households – in response to these negative factors. But the generally low level of interest rates, rising worker productivity, renewed job growth, and sound household net worth will support a return to trend rate growth in consumer spending by mid-2006. Global Insight forecasts a modest slowdown in real consumer spending from 3.5 percent in 2005 to 3.3 percent in 2006.

Business capital spending is projected to continue to grow at a solid pace without even a temporary lull. Record corporate profits and cash flow, the lower foreign exchange value of the dollar, and the low cost of capital will support investment in business equipment and software. Global Insight projects growth in real business investment in equipment and software of 9.5 percent in 2006, compared with 10.9 percent in 2005.

Housing activity shows signs of cooling in the form of rising inventories of unsold homes and moderating home prices in areas with the most rapid growth recently. Global Insight predicts a decline of 1.4 percent in investment in residential structures during

2006 – down from an increase of 7.1 percent in 2005 – as higher mortgage rates soften demand.

The cumulative effects of the depreciation in the U.S. dollar in recent years and very strong demand growth in emerging markets is projected to sustain the strong recent growth in U.S. exports in 2006 and reduce growth in imports, stabilizing the trade deficit for the first time since the 2001 recession. Global Insight predicts real export growth of 8.7 percent in 2006 and real import growth of 7.6 percent.

The Federal Reserve is widely expected to stop raising its target for short-term interest rates in the first half of 2006. The Fed views the level of interest rates as potentially too low to prevent elevated energy costs from translating into faster inflation of prices for other goods and services. Global Insight predicts consumer price inflation falling to 2.6 percent in 2006 from 3.4 percent in 2005, accompanied by short-term and long-term interest rates averaging just under 5.0 percent.

Buffeted by high energy costs and foreign competition, but supported by strong export markets and steady domestic demand for manufactured goods, the Ohio economy is expected to make additional moderate gains in 2006. Ohio employment is projected by Global Insight to expand by 1.0 percent in 2006 – the fastest pace since 2000 – compared with 0.5 percent in 2005 and 0.1 percent in 2004. Leading the growth are expected to be the Education & Health Services, Leisure & Hospitality, Professional & Business Services, Construction & Mining, and Other Services industries. Employment in Manufacturing is projected to increase 0.3 percent for the first annual average gain since 1998, reflecting gains in the Fabricated Metals and Machinery industries.

Personal income will benefit from more rapidly rising employment and additional gains in productivity-led increases in wages and salaries. Ohio personal income is slated to grow by 5.0 percent in 2006, following estimated growth of 4.9 percent in 2005. Global Insight projects real disposable income to increase 3.1 percent in both years.

Homebuilding in Ohio is projected to slow through 2006 primarily in reaction to the expected rise in mortgage rates to an annual average of 6.50 percent to 6.75 percent during the year. Slow population growth is also expected to restrain homebuilding for at least the next several years.

The enactment of major tax reform in Ohio is designed to promote hiring and production by increasing economic efficiency and reducing disincentives to do business in the state. A 21-percent reduction in marginal personal income tax rates and the replacement of the corporate franchise tax and tangible personal property tax with a broad, low commercial activities tax will be phased in over five years,

bringing tax rates more in line with those in other states.

Despite the widespread destruction by hurricanes in the Gulf region in late 2005 and additional interest rate increases by the Federal Reserve, the U.S. economy is expected to bounce back in 2006 after a temporary lull. Comparable disasters in the past typically have been followed by brief slowdowns and then rebuilding-fueled rebounds. Economic activity will be supported by flexible labor and product markets, rising worker productivity, federal relief spending in affected regions, low inflation expectations, and favorable tax policy. Risks to the economy include the Fed raising short-term interest rates too high, a renewed and prolonged rise in energy prices, and a global economic slump. The consensus among forecasters is that these risks are unlikely to impede economic growth in the near term.

## MAJOR INITIATIVES AND PROJECTS

### State Operating Budget

In June 2005, the Governor signed Amended Substitute House Bill 66, the biennial budget bill, which when combined with other legislation authorizing expenditures, provides approximately \$25.3 billion in FY 2006 and \$25.9 billion in FY 2007 in General Revenue Fund (GRF) dollars and \$53.6 billion in FY 2006 and \$55.2 billion in FY 2007 in all funds for the operating budget. The GRF appropriations in this budget will result in the two slowest growing fiscal years of the last 40 years, with GRF growth rates of 1.9 percent in FY 2006 and 2.6 percent in FY 2007. Many agencies will spend less from the GRF in FY 2007 than they spent in FY 2000. The majority of GRF spending increases over this time period can be attributed to increased spending in primary and secondary education, Medicaid, debt service, and property tax relief programs.

As in the FY 2004-2005 budget, the FY 2006-2007 budget reduces or holds flat many of the state's GRF funded agencies, consolidates functions or activities of several state agencies, and holds down the costs of one of the fastest growing programs in state government – Medicaid. Of the state's 64 GRF-funded agencies, 24 will remain at FY 2005 GRF levels or decrease their reliance on GRF funding. Examples of some cost management strategies employed over the past several biennia are as follows:

- Over the past five years, agencies' GRF budgets have been cut by \$1.4 billion.
- Since 1999, the number of state employees has been steadily shrinking. In January 1999, there were approximately 62,500 state employees. As of August 2005, there are approximately 59,100.
- The most conservative state-employee compensation contract in the history of Ohio public sector collective bargaining was ne-

gotiated, freezing base wages for state employees for a two-year period.

- The size of the state vehicle fleet has been reduced by nearly 12.0 percent.
- The closure of six institutions has either taken place or is scheduled to take place. These include two juvenile correctional facilities, two adult correctional facilities, and two developmental centers.
- Medicaid cost management initiatives saved the state over \$860 million in the FY 2004-2005 biennium.

### Comprehensive Tax Reform

To improve Ohio's competitiveness the FY 2006-2007 budget enacted fundamental tax reform making a number of changes to address situations in which Ohio's high tax rates act as disincentives to investment and employment. The tax reform reduces the burden on investment and encourages capital formation, which in turn will increase productivity and encourage growth in employment and income. Because the State must continue to meet its financial obligations and make strategic public investments in education and infrastructure, cuts in taxes on capital investment are phased in over time, and also balanced with innovative solutions to raise the revenue needed to pay for essential public services.

The tax reforms contained in the budget are:

- A 21-percent reduction in the income tax, phased-in over five years;
- Elimination of the tangible personal property tax for general businesses and for telecommunications companies, phased-in over four- and five year periods, respectively;
- Elimination of the corporate franchise tax (except for financial institutions and their affiliates) over a five-year period;
- Enactment of a commercial activity tax (CAT), phased-in over five years; and,
- The state sales tax rate was increased from 5.0 percent to 6.0 percent for the fiscal years 2004-2005. The fiscal year 2006-2007 budget reduces the tax rate back to 5.5 percent for fiscal year 2006 and subsequent years.

The tax reform package is both a sweeping tax restructuring and a significant overall tax cut. In total, state taxes are reduced by \$512 million in FY 2006 and \$983 million in FY 2007, compared to the tax rates that were in place in FY 2005. By FY 2010, the estimated reductions reach \$2.4 billion. State taxes are not the only taxes reduced in this reform. The elimination of the local general business tangible personal property tax increases the size of the overall tax cut. This reform package reduces combined state and local taxes by \$416 million in FY 2006 and by \$1.2 billion in FY 2007. Total tax re-

ductions reach \$3.7 billion by FY 2010 when the reform package is fully phased-in.

### **Medicaid Reform**

Consistent with the recommendations of the Ohio Commission to Reform Medicaid, the FY 2006-2007 budget adopts strategies to reduce projected costs in the FY 2006-2007 biennium and sets the stage for responsible long-term Medicaid reform using strategies that will control the rate of growth over time.

These strategies are intended to deliver cost effective and preventive care for low-income families and children; provide cost-effective, non-institutional residential options and health care for seniors; and improve the information technology used to manage the Medicaid program. The following are a few examples of the cost saving strategies included in the budget:

- Replaces the cost-based nursing facility reimbursement formula with a price-based formula beginning in FY 2007;
- Expands managed care statewide to cover over one million children and their families and over 125,000 aged, blind, and disabled enrollees;
- Eliminates coverage for parents with incomes between 90 percent and 100 percent of the federal poverty level;
- Creates a new waiver enabling 1,800 people to live in an assisted-living setting; and
- Creates a new Medicaid voucher pilot program that will enable participants to pay for their own health care services.

The cost containment strategies adopted in the FY 2006-2007 budget in total will reduce projected GRF spending by approximately \$720 million in FY 2006 and \$1.4 billion in FY 2007.

### **Primary and Secondary Education**

The State of Ohio continues to make significant investments to improve student success. Primary and secondary education in the state has been redesigned to focus on clear and rigorous academic standards for students at each grade level.

In 2003, the Governor convened and charged the Governor's Blue Ribbon Task Force on Financing Student Success with developing an improved system of funding primary and secondary education in Ohio that promotes higher levels of student achievement and gives every child the opportunity to succeed. The Task Force recommended reforms to ensure that Ohio's system for funding schools is stable, predictable, and grows appropriately; affordable within the context of the state's economy; and includes features that promote the effective use of resources. Highlights of the Task Force's recommendations include:

- Eliminate "phantom revenue," a phenomenon that causes locally approved additional funding above Basic Aid to deteriorate;
- Target funding to districts and students most in need;
- Establish an input-based funding methodology that uses "evidence-based" strategies, services, and programs that are proven effective in enhancing student success;
- Reduce the need for districts to conduct operational levies;
- Stabilize funding from state and local resources; and
- Fund initiatives that support research related to academic success.

The FY 2006-2007 budget begins implementation of funding recommendations made by the Task Force, most of which affect the Foundation Program, which provides most state funding to school districts. The Foundation Program is funded at \$6.2 billion in FY 2006 or 2.9 percent above FY 2005.

### **School Building Assistance**

The current biennium continues to make progress on Governor Taft's Rebuild Ohio Plan, which addresses the facility needs of all Ohio school districts. The plan will allow every Ohio school child to learn in safe, modern facilities and give school districts the capability to create customized classrooms and instruction tailored to meet students' needs. The School Facilities Commission, charged with providing funding to public school districts and overseeing the construction and renovation of school facilities, spends approximately \$2 million daily on new school construction and repair. Since the inception of the Commission in May 1997, \$3.5 billion has been used to construct or repair 270 new or renovated buildings.

The FY 2006 budget provides an additional \$220 million from the General Revenue Fund and other sources to support construction projects.

### **Governor's Commission on Higher Education and the Economy**

In his 2003 Inaugural Address, Governor Taft called for the creation of the Governor's Commission on Higher Education and the Economy (CHEE). The Commission was charged with developing a strategic plan for the State to help higher education achieve its full potential in creating more and better jobs for Ohioans, increasing economic competitiveness, and fueling economic growth. The CHEE completed its work in 2004. Funding to support the recommendations of the CHEE were included in the FY 2006-2007 budget. The following are a few examples:

- In FY 2007, a new needs-based financial aid program, the Ohio College Opportunity Grant will be initiated and provide \$58.1 mil-



lion in additional direct aid to Ohioans who face financial barriers to higher education. The program will be phased in over four years and replace the Ohio Instructional Grant and the Part-time Instructional Grant.

- A total of \$300,000 has been provided to the Ohio Board of Regents and the Ohio Department of Education to create Ohio's Partnership for Continued Learning, which will work in cooperation with local and state level partners to create a single comprehensive education system from early childhood through adulthood.
- Two initiatives, the Ohio College Access Network and the Early College High School Pilot Program have been funded to improve awareness and planning for higher education and increasing college participation in the upcoming years through the College Readiness and Access program.

### **Third Frontier**

The Third Frontier Project is the state's largest commitment ever to expanding Ohio's high-tech research capabilities and promoting start-up companies to build high-wage jobs for generations to come. The \$1.6 billion 10-year investment program continues to accelerate, and commercialization in high-tech, high-growth areas of Ohio's economy attracts federal and private investment to the state and creates new products, companies, and jobs for Ohio. A recent Milken Institute report ranked Ohio as first among the 50 states in the relative growth of total biotech venture capital invested.

Below are a few examples of how the Third Frontier Project is impacting Ohio:

- Ohio Third Frontier Network is the nation's leading statewide, advanced fiber-optic network dedicated to education, research, and economic development. The 1,600-mile, high-speed, broadband network connects Ohio's universities and colleges with their business partners, Ohio's federal labs, hospitals and K-12 schools.
- Investments in biomedical research and technology transfer partnerships have leveraged \$110 million in funding.
- Validation and seed funds have enabled 53 new companies to promote innovation and commercialization of viable technologies in Ohio. The State is leveraging an average of more than \$12 in additional funding for each state dollar invested.

### **Jobs and Progress Plan**

Ohio continues to make progress on the Jobs and Progress Plan, Ohio's largest transportation initiative since the original creation of the interstate highway system. The basis for the majority of the funding for the plan was provided in the fiscal year 2004-2005

biennial transportation budget, by an increase in the motor fuel tax by two cents a gallon each year for the next three years. The \$5 billion, 10-year Ohio construction program is addressing the state's most pressing needs; mitigating high-congestion, high-crash locations on freeways; improving state bridges and pavement conditions; and connecting all parts of Ohio by completing rural routes. The year 2004 marked the first construction season of the plan. Several major highway construction projects were started, and more than 700 safety projects have been completed.

### **Jobs for Ohio Ballot Initiative**

On November 8, 2005, voters approved a proposal to amend the Ohio Constitution for a special bond issue. This \$2 billion initiative consists of \$1.35 billion for public infrastructure capital improvements to continue the Public Works Commission infrastructure program, \$500 million for research and development purposes as a component of the Third Frontier project, and \$150 million for the development of sites and facilities for industry, commerce, distribution, and research and development purposes.

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the 15th consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

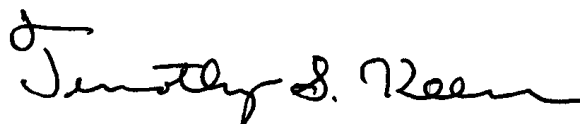
### **ADDITIONAL INFORMATION**

OBM provides access to the fiscal year 2005 *Ohio Comprehensive Annual Financial Report*, fiscal year 2005 *Ohio Budgetary Financial Report*, and other state-related financial data and information on the Internet at <http://www.obm.ohio.gov>.

### **ACKNOWLEDGMENTS**

In conclusion, I wish to express my appreciation to the staffs of the various state agencies whose time and dedicated efforts made this report possible.

Sincerely,



Timothy S. Keen  
Director

# STATE OF OHIO OFFICIALS

## EXECUTIVE

Bob Taft  
Governor

Bruce Johnson  
Lieutenant Governor

Jim Petro  
Attorney General

Betty Montgomery  
Auditor of State

Jennette Bradley  
Treasurer of State

J. Kenneth Blackwell  
Secretary of State

## LEGISLATIVE

Bill Harris  
President of the Senate

John Husted  
Speaker of the House

## JUDICIAL

Thomas J. Moyer  
Chief Justice  
Supreme Court



# STATE OF OHIO ORGANIZATION CHART

FINANCIAL REPORTING ENTITY		
PRIMARY GOVERNMENT		
<p style="text-align: center;"><b>LEGISLATIVE</b></p> <p style="text-align: center;"><b>Senate</b> (33 Members)</p> <p style="text-align: center;"><b>House of Representatives</b> (99 Members)</p>	<p style="text-align: center;"><b>EXECUTIVE</b></p> <p style="text-align: center;"><b>Governor</b> <b>Lieutenant Governor</b> <b>Attorney General</b> <b>Auditor of State</b> <b>Secretary of State</b> <b>Treasurer of State</b> <b>State Board of Education</b> (11 Elected Members, and 6 At-Large Members)</p>	<p style="text-align: center;"><b>JUDICIAL</b></p> <p style="text-align: center;"><b>Supreme Court</b> Chief Justice and 6 Justices</p>
<p><b>Governmental Activities:</b> <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees</p>	<p><b>Governmental Activities:</b> <i>Primary, Secondary and Other Education:</i> Arts Council Department of Education Educational Telecommunications School for the Blind School for the Deaf State Library Board</p> <p><i>Higher Education Support:</i> Board of Regents Career Colleges and Schools Board</p> <p><i>Public Assistance and Medicaid:</i> Department of Job and Family Services</p> <p><i>Health and Human Services:</i> Department of Aging Department of Alcohol and Drug Addiction Services Department of Health Department of Mental Health Department of Mental Retardation Hispanic-Latino Affairs Commission Legal Rights Service Minority Health Commission Rehabilitation Services Commission Tobacco Use Prevention and Control Foundation Veterans' Home</p> <p><i>Justice and Public Protection:</i> Adjutant General Board of Tax Appeals Civil Rights Commission Criminal Justice Services Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Lake Erie Commission</p> <p><i>Transportation:</i> Department of Transportation</p>	<p><b>Governmental Activities:</b> <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims</p>

(Continued)

## PRIMARY GOVERNMENT (Continued)

	<p><i>General Government:</i>          Capitol Square Review &amp; Advisory Board          Consumers' Counsel          Department of Administrative Services          Department of Commerce          Department of Insurance          Department of Taxation          Office of Budget and Management          Office of the Governor          Office of the Inspector General          Office of the Lieutenant Governor          Office of the Secretary of State          Office of the Treasurer of State          Public Utilities Commission          Racing Commission          Sinking Fund Commission          Other Boards and Commissions</p> <p><i>Community and Economic Development:</i>          Department of Agriculture          Department of Development          Exposition Commission          Public Works Commission          Southern Ohio Agricultural &amp; Community          Development Foundation</p> <p><b>Business-Type Activities:</b>          Bureau of Workers' Compensation          and Industrial Commission          Capitol Square Review &amp; Advisory Board          —Underground Parking Garage          Department of Commerce—          Liquor Control Division          Department of Job and Family Services—          Unemployment Compensation Program          Lottery Commission          Office of the Auditor of State          Tuition Trust Authority</p>	
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## COMPONENT UNITS

<p><b>Blended Component Units:</b>          Ohio Building Authority          (included in Governmental and Business-Type Activities)          State Highway Patrol Retirement System          (included as Fiduciary Activities)</p> <p><b>Discretely Presented Component Units:</b>  <i>Financing Authorities:</i>          Ohio Air Quality Development Authority          Ohio Water Development Authority</p> <p><i>Commissions:</i>          Cultural Facilities Commission          School Facilities Commission          SchoolNet Commission</p>	<p><b>Discretely Presented Component Units (continued):</b>  <i>State Universities:</i></p> <table style="width: 100%;"> <tr> <td>Bowling Green State University</td><td>Central State University</td></tr> <tr> <td>Cleveland State University</td><td>Kent State University</td></tr> <tr> <td>Medical University of Ohio</td><td>Miami University</td></tr> <tr> <td>Ohio State University</td><td>Ohio University</td></tr> <tr> <td>Shawnee State University</td><td>University of Akron</td></tr> <tr> <td>University of Cincinnati</td><td>University of Toledo</td></tr> <tr> <td>Wright State University</td><td>Youngstown State University</td></tr> </table> <p><i>State Community Colleges:</i></p> <table style="width: 100%;"> <tr> <td>Cincinnati State</td><td>Clark State</td></tr> <tr> <td>Columbus State</td><td>Edison State</td></tr> <tr> <td>Northwest State</td><td>Owens State</td></tr> <tr> <td>Southern State</td><td>Terra State</td></tr> <tr> <td>Washington State</td><td></td></tr> </table>	Bowling Green State University	Central State University	Cleveland State University	Kent State University	Medical University of Ohio	Miami University	Ohio State University	Ohio University	Shawnee State University	University of Akron	University of Cincinnati	University of Toledo	Wright State University	Youngstown State University	Cincinnati State	Clark State	Columbus State	Edison State	Northwest State	Owens State	Southern State	Terra State	Washington State	
Bowling Green State University	Central State University																								
Cleveland State University	Kent State University																								
Medical University of Ohio	Miami University																								
Ohio State University	Ohio University																								
Shawnee State University	University of Akron																								
University of Cincinnati	University of Toledo																								
Wright State University	Youngstown State University																								
Cincinnati State	Clark State																								
Columbus State	Edison State																								
Northwest State	Owens State																								
Southern State	Terra State																								
Washington State																									

## JOINT VENTURES

Great Lakes Protection Fund  
 Local Community Colleges  
 Technical Colleges

## RELATED ORGANIZATIONS

Higher Education Facility Commission  
 Ohio Legal Assistance Foundation  
 Ohio Turnpike Commission  
 Petroleum Underground Storage Tank  
 Release Compensation Board

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zielke*

President

*Jeffrey R. Enen*

Executive Director

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# **FINANCIAL SECTION**





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Bob Taft, Governor  
State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following organizations:

Primary Government: Office of the Auditor of State; Office of Financial Incentives; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; and Variable College Savings Plan.

Blended Component Units: Ohio Building Authority and State Highway Patrol Retirement System.

Discretely Presented Component Units: Bowling Green State University; Central State University, Cleveland State University; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; Youngstown State University; Cincinnati State Community College; Clark State Community College; Columbus State Community College; Edison State Community College; Northwest State Community College; Owens State Community College; Southern State Community College; Terra State Community College; Washington State Community College; Medical University of Ohio; and Ohio Water Development Authority.

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Fire Pension Fund, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's Aggregate Remaining Fund Information. These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues / Additions
Governmental Activities	2%	1%
Business-Type Activities	0%	1%
Aggregate Discretely Presented Component Units	97%	96%
Aggregate Remaining Fund Information	96%	23%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these independently audited organizations is based on the reports of the other auditors.

The Honorable Bob Taft, Governor

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

The financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio have not been audited. This audit was commenced but not completed by other auditors. The Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio comprise the Workers' Compensation Enterprise Fund, a major fund for the State of Ohio, and represent 87 percent and 44 percent of the total assets and total revenue, respectively, of the business-type activities financial statements. Because the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of Workers' Compensation Enterprise Fund and the business-type activities financial statements for the year ended June 30, 2005.

In our opinion, except as we are unable to express, and we do not express an opinion upon the Workers' Compensation Enterprise Fund and upon the business-type activities financial statements, as described in the preceding paragraph, based upon our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio as of June 30, 2005, and respective changes in financial position and respective budgetary comparisons for the general and major special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the fiscal year ended June 30, 2005, the State of Ohio adopted Governmental Accounting Standard Board's Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Management's Discussion and Analysis and Infrastructure Assets Accounted for Using the Modified Approach, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We and the other auditors subjected the combining fund statements and individual fund schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit and the reports of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



**Betty Montgomery**  
**Auditor of State**

April 7, 2006



# State of Ohio

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2005

(Unaudited)

#### Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2005. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

#### Financial Highlights

##### *Government-wide Financial Statements*

Net assets of the State's primary government reported in the amount of \$19.83 billion, as of June 30, 2005, increased \$761.3 million since the previous year. Net assets of the State's component units reported in the amount of \$11.47 billion, as of June 30, 2005, increased \$624.3 million since the end of last fiscal year.

##### *Fund Financial Statements*

Governmental funds reported combined ending fund balances of \$5.23 billion that was comprised of \$298.2 million reserved for specific purposes, such as for debt service, state and local highway construction, and federal programs; \$6.52 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, noncurrent interfund receivables, loan commitments, and inventories; \$718.4 million in designations for budget stabilization and other purposes; and a \$2.31 billion deficit.

As of June 30, 2005, the General Fund's fund balance was approximately \$1.35 billion, including \$43.4 million reserved for "other" specific purposes, as detailed in NOTE 17; \$584 million reserved for nonappropriable items; and \$718.4 million in designations for budget stabilization and other purposes. The General Fund's fund balance increased by \$580.3 million (exclusive of a \$1.1 million decrease in inventories) or 75.6 percent during fiscal year 2005. Due to greater-than-expected personal income tax revenue for fiscal year 2005 and executive-ordered and other spending reductions, the General Fund ended the year with an overall positive fund balance. Various transfers-in from other funds provided additional resources to cover anticipated spending in the General Fund during fiscal year 2005.

Proprietary funds reported net assets of \$1.36 billion, as of June 30, 2005, a decrease of \$209.5 million since June 30, 2004. Most of the net decline was due to the \$145.1 million and \$139.1 million net losses reported for the Unemployment Compensation and Workers' Compensation enterprise funds, respectively, which offset increases in net assets of \$47.2 million and \$28.6 million in the Tuition Trust Authority and Lottery Commission enterprise funds, respectively. The loss for the Unemployment Compensation Enterprise Fund is attributable to benefits and claims expenses of \$1.19 billion that exceeded total operating and nonoperating revenues by approximately \$105.2 million, and by transfers to the Job and Family Services agency of \$35.8 million. For the Workers' Compensation Enterprise Fund, the decline is mainly due to a decline in investment income of \$261.5 million and an increase in claims payments of \$398.1 million, which more than offset a decrease in premium dividend reductions and refunds of \$182.7 million for fiscal year 2005. The Tuition Trust Authority's increase in net assets resulted from an \$89.4 million reduction in tuition benefit expenses in fiscal year 2005 as compared to fiscal year 2004, which more than offset decreases in investment income and tuition unit sales of \$38.9 million and \$32.1 million, respectively. The Lottery Commission Enterprise Fund's increase in net assets resulted from increases in investment income of \$102.8 million in fiscal year 2005.

##### *Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations*

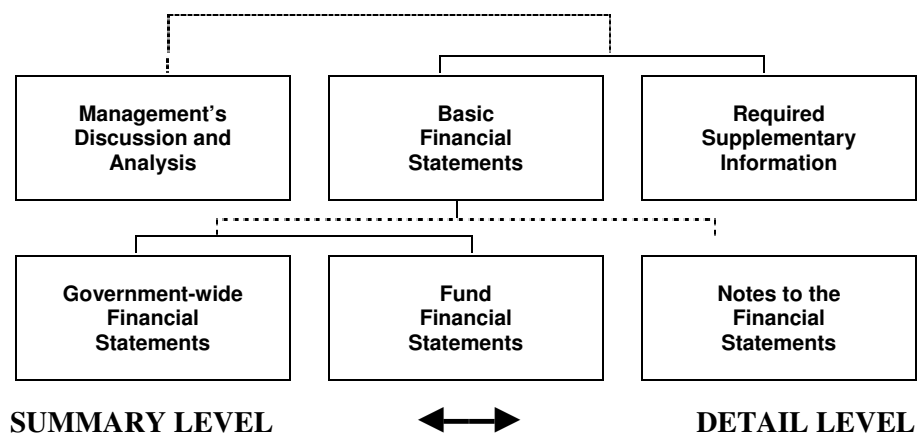
Overall, the carrying amount of total long-term debt for the State's primary government increased \$466.3 million or 4.6 percent during fiscal year 2005 to end the fiscal year with a reported balance of \$10.57 billion in long-term debt. During the year, the State issued at par \$1.09 billion in general obligation bonds, of which \$105.8 million were refunding bonds, \$50 million in revenue bonds, and \$834.1 million in special obligation bonds, of which \$601 million were refunding bonds. Changes in the primary government's long-term debt for fiscal year 2005 can be found in NOTE 15.

## Overview of the Financial Statements

This annual report consists of management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State's nonmajor governmental and proprietary funds.

**Figure 1**  
**Required Components of the**  
**State of Ohio's Annual Financial Report**



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State's operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State's general government services. Proprietary fund statements report on the activities that the State operates like private-sector businesses. Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 68 through 139 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 140 through 143 of this report.

Figure 2 on the following page summarizes the major features of the State's financial statements.

**Figure 2**  
**Major Features of the State of Ohio's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program	Instances in which the State is the trustee or agent for someone else's resources
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

### Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 36 through 39 of this report, are divided into three categories as follows.

*Governmental Activities* — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, and community and economic development. Taxes, federal grants, charges for services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

*Business-type Activities* — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insur-

ance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

*Component Units* — The State presents the financial activities of the School Facilities Commission, Cultural Facilities Commission, SchoolNet Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, and 23 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 15 special revenue funds, 23 debt service funds, and 11 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 45 governmental funds, which are classified as nonmajor funds, are combined into a single, aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 40 through 51 of this report while the combining fund statements and schedules can be found on pages 146 through 205.

*Proprietary Funds* — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements for its eight enterprise funds applying the accrual basis of accounting and an economic resources focus.

Under separate columns, information is presented in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other five enterprise funds, which are classified as nonmajor funds, are combined into a single, aggregated presentation under a single column on the basic proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 52 through 59 of this report while the combining fund statements can be found on pages 208 through 215.

**Fiduciary Funds** — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 60 through 63 of this report.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

**Net Assets.** During fiscal year 2005, as shown in the table below, the combined net assets of the State's primary government increased \$761.3 million or 4.0 percent. Net assets reported for governmental activities increased \$970.9 million or 5.6 percent and business-type activities decreased \$209.5 million or 13.4 percent. Condensed financial information derived from the Statement of Net Assets for the primary government follows.

**Primary Government  
Statement of Net Assets  
As of June 30, 2005  
With Comparatives as of June 30, 2004  
(dollars in thousands)**

	As of June 30, 2005			As of June 30, 2004 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Assets:</b>						
Current and Other Noncurrent Assets .....	\$14,890,239	\$24,230,062	\$39,120,301	\$12,326,064	\$23,832,701	\$36,158,765
Capital Assets .....	23,471,857	155,175	23,627,032	23,020,145	183,801	23,203,946
Total Assets .....	38,362,096	24,385,237	62,747,333	35,346,209	24,016,502	59,362,711
<b>Liabilities:</b>						
Current and Other Liabilities .....	8,859,254	3,510,741	12,369,995	7,348,367	3,452,725	10,801,092
Noncurrent Liabilities .....	11,033,381	19,514,347	30,547,728	10,499,232	18,994,111	29,493,343
Total Liabilities .....	19,892,635	23,025,088	42,917,723	17,847,599	22,446,836	40,294,435
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt .....	20,454,447	(1,839)	20,452,608	19,941,259	5,873	19,947,132
Restricted .....	1,908,583	1,528,376	3,436,959	1,888,728	1,787,404	3,676,132
Unrestricted (Deficits) .....	(3,893,569)	(166,388)	(4,059,957)	(4,331,377)	(223,611)	(4,554,988)
Total Net Assets .....	\$18,469,461	\$ 1,360,149	\$19,829,610	\$17,498,610	\$ 1,569,666	\$19,068,276

As of June 30, 2005, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was \$20.45 billion. Restricted net assets were approximately \$3.44 billion, resulting in a \$4.06 billion deficit. Net assets are restricted when constraints on their use are 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a \$3.89 billion deficit for governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$9.74 billion of outstanding general obligation and special obligation debt at June 30, 2005, \$6.39 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net As-

sets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2005, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$397.6 million (see NOTE 14A.) and a \$783.2 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2005 and 2004, follows.

**Primary Government  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005  
With Comparatives for the Fiscal Year Ended June 30, 2004**  
(dollars in thousands)

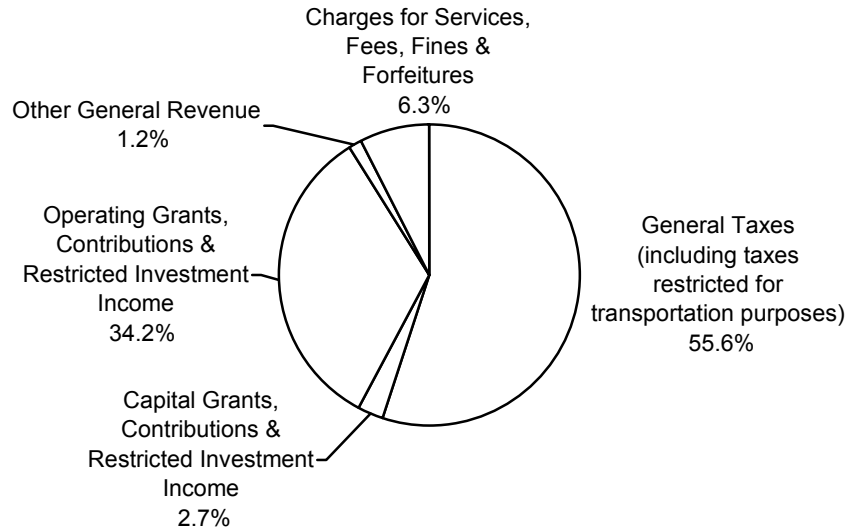
	Fiscal Year 2005			Fiscal Year 2004 (as restated)		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
<b>Program Revenues:</b>						
Charges for Services, Fees, Fines and Forfeitures .....	\$ 2,555,031	\$4,986,916	\$ 7,541,947	\$ 2,529,150	\$4,997,160	\$ 7,526,310
Operating Grants, Contributions and Restricted Investment Income/(Loss) .....	13,774,602	2,107,953	15,882,555	12,979,579	2,455,783	15,435,362
Capital Grants, Contributions and Restricted Investment Income/(Loss) .....	1,088,146	—	1,088,146	890,444	332	890,776
Total Program Revenues .....	17,417,779	7,094,869	24,512,648	16,399,173	7,453,275	23,852,448
<b>General Revenues:</b>						
General Taxes .....	20,653,898	—	20,653,898	19,396,617	—	19,396,617
Taxes Restricted for Transportation .....	1,753,390	—	1,753,390	1,631,631	—	1,631,631
Tobacco Settlement .....	321,335	—	321,335	316,799	—	316,799
Escheat Property .....	91,867	—	91,867	74,268	—	74,268
Unrestricted Investment Income .....	46,797	70,609	117,406	18,159	622	18,781
Federal .....	—	—	—	193,033	12	193,045
Other .....	287	5,837	6,124	1,940	—	1,940
Total General Revenues .....	22,867,574	76,446	22,944,020	21,632,447	634	21,633,081
Total Revenues .....	40,285,353	7,171,315	47,456,668	38,031,620	7,453,909	45,485,529
<b>Expenses:</b>						
Primary, Secondary and Other Education .....	10,500,951	—	10,500,951	10,234,524	—	10,234,524
Higher Education Support .....	2,477,856	—	2,477,856	2,494,828	—	2,494,828
Public Assistance and Medicaid .....	14,245,026	—	14,245,026	13,557,787	—	13,557,787
Health and Human Services .....	3,336,010	—	3,336,010	2,950,880	—	2,950,880
Justice and Public Protection .....	2,973,118	—	2,973,118	2,809,295	—	2,809,295
Environmental Protection and Natural Resources .....	397,924	—	397,924	397,884	—	397,884
Transportation .....	1,900,507	—	1,900,507	1,433,439	—	1,433,439
General Government .....	670,317	—	670,317	607,376	—	607,376
Community and Economic Development .....	3,444,746	—	3,444,746	3,493,357	—	3,493,357
Interest on Long-Term Debt (excludes interest charged as program expense) .....	175,700	—	175,700	189,583	—	189,583
Workers' Compensation .....	—	3,263,118	3,263,118	—	3,072,477	3,072,477
Lottery Commission .....	—	1,581,100	1,581,100	—	1,575,279	1,575,279
Unemployment Compensation .....	—	1,194,040	1,194,040	—	1,639,014	1,639,014
Ohio Building Authority .....	—	27,327	27,327	—	27,524	27,524
Tuition Trust Authority .....	—	30,214	30,214	—	118,834	118,834
Liquor Control .....	—	401,187	401,187	—	374,507	374,507
Underground Parking Garage .....	—	2,692	2,692	—	2,199	2,199
Office of Auditor of State .....	—	73,501	73,501	—	75,758	75,758
Total Expenses .....	40,122,155	6,573,179	46,695,334	38,168,953	6,885,592	45,054,545
Surplus/(Deficiency) Before Transfers .....	163,198	598,136	761,334	(137,333)	568,317	430,984
Transfers-Internal Activities .....	807,653	(807,653)	—	781,149	(781,149)	—
Change in Net Assets .....	970,851	(209,517)	761,334	643,816	(212,832)	430,984
Net Assets, July 1 (as restated) .....	17,498,610	1,569,666	19,068,276	16,854,794	1,782,498	18,637,292
Net Assets, June 30 .....	\$18,469,461	\$1,360,149	\$19,829,610	\$17,498,610	\$1,569,666	\$19,068,276

### Governmental Activities

For fiscal year 2005, revenues slightly outpaced expenses, and when combined with transfers from the State's business-type activities, an increase of \$970.9 million in net assets resulted for governmental activities. Revenues for fiscal year 2005 in the amount of \$40.29 billion were 5.9 percent higher than those reported for fiscal year 2004. This increase in revenues can, in part, be attributed to strong personal income tax and corporation franchise tax collections. Expenses followed the trend as the reported \$40.12 billion in spending represented a 5.1 percent increase over fiscal year 2004. Net transfers for fiscal year 2005 also increased to \$807.7 million, or by 3.4 percent, when compared to fiscal year 2004.

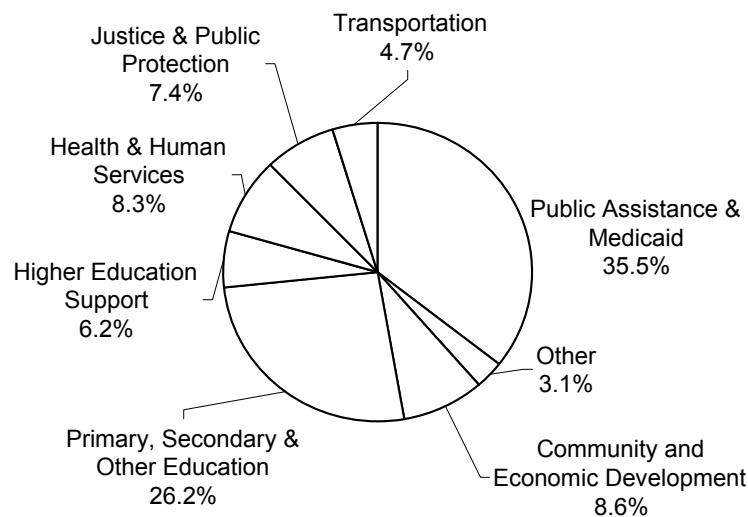
The following charts illustrate revenue by sources and expenses by program of governmental activities as percentages of total revenues and program expenses, respectively, reported for the fiscal year ended June 30, 2005.

#### Governmental Activities — Sources of Revenue Fiscal Year 2005



**Total FY 05 Revenue for Governmental Activities = \$40.29 Billion**

#### Governmental Activities — Expenses by Program Fiscal Year 2005



**Total FY 05 Program Expenses for Governmental Activities = \$40.12 Billion**

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2005 and 2004. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, unrestricted investment income, and unrestricted federal revenue.

**Program Expenses and Net Costs of Governmental Activities by Program**  
**For the Fiscal Year Ended June 30, 2005**  
**With Comparatives for the Fiscal Year Ended June 30, 2004**  
*(dollars in thousands)*

For the Fiscal Year Ended June 30, 2005				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education .....	\$10,500,951	\$ 8,868,083	84.5%	22.1%
Higher Education Support .....	2,477,856	2,460,966	99.3	6.1
Public Assistance and Medicaid .....	14,245,026	4,369,852	30.7	10.9
Health and Human Services .....	3,336,010	1,223,053	36.7	3.1
Justice and Public Protection .....	2,973,118	1,812,244	61.0	4.5
Environmental Protection and Natural Resources .....	397,924	138,967	34.9	.4
Transportation .....	1,900,507	739,342	38.9	1.8
General Government .....	670,317	147,505	22.0	.4
Community and Economic Development .....	3,444,746	2,768,664	80.4	6.9
Interest on Long-Term Debt .....	175,700	175,700	100.0	.4
Total Governmental Activities .....	<u>\$40,122,155</u>	<u>\$22,704,376</u>	56.6	<u>56.6%</u>
For the Fiscal Year Ended June 30, 2004 (as restated)				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education .....	\$10,234,524	\$ 8,782,431	85.8%	23.0%
Higher Education Support .....	2,494,828	2,475,095	99.2	6.5
Public Assistance and Medicaid .....	13,557,787	3,887,353	28.7	10.2
Health and Human Services .....	2,950,880	968,730	32.8	2.5
Justice and Public Protection .....	2,809,295	1,771,570	63.1	4.6
Environmental Protection and Natural Resources .....	397,884	144,959	36.4	0.4
Transportation .....	1,433,439	478,953	33.4	1.3
General Government .....	607,376	191,605	31.5	0.5
Community and Economic Development .....	3,493,357	2,879,501	82.4	7.5
Interest on Long-Term Debt .....	189,583	189,583	100.0	0.5
Total Governmental Activities .....	<u>\$38,168,953</u>	<u>\$21,769,780</u>	57.0	<u>57.0%</u>

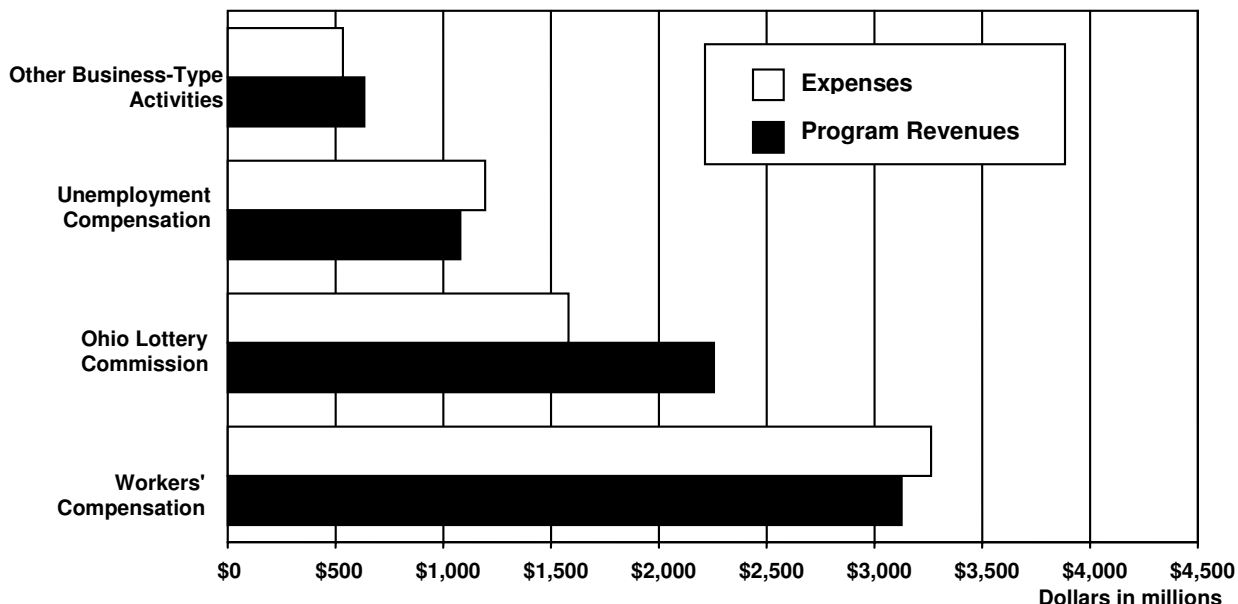
**Business-Type Activities**

The State's enterprise funds reported net assets of \$1.36 billion, as of June 30, 2005, as compared to \$1.57 billion in net assets, as of June 30, 2004. Contributing to the overall decline in business-type activities was the Unemployment Compensation Fund, which reported net assets of \$663.9 million, as of June 30, 2005, as compared to \$809 million, a 17.9 percent decrease since June 30, 2004. The Workers' Compensation Fund posted a \$139.1 million or 16.2 percent reduction in net assets during fiscal year 2005 when the fund reported net assets of



\$721.7 million, as of June 30, 2005. The Tuition Trust Authority Fund, however, reported net assets of \$(242.1) million, as of June 30, 2005, as compared to \$(289.4) million in net assets, as of June 30, 2004, a 16.3 percent increase, while the Lottery Commission Fund reported \$152.1 million in net assets as of June 30, 2005 compared to \$123.5 million in net assets as of June 30, 2004, a 23.1 percent increase. The chart below compares program expenses and program revenues for business-type activities.

### Business-Type Activities — Expenses and Program Revenues Fiscal Year 2005



### FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2005 and June 30, 2004 (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2005			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit) .	\$ —	\$ (3,169,537)	\$ 859,841	\$ (2,309,696)
Designated Fund Balance .....	718,377	—	—	718,377
Total Fund Balance .....	1,345,772	659,052	3,225,776	5,230,600
Total Revenues .....	25,452,628	10,986,081	3,802,370	40,241,079
Total Expenditures .....	24,442,117	11,126,257	5,891,171	41,459,545

	As of and for the Fiscal Year Ended June 30, 2004 (as restated)			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit) .	\$ —	\$ (2,235,976)	\$ 443,440	\$ (1,792,536)
Designated Fund Balance .....	105,333	—	—	105,333
Total Fund Balance .....	766,571	639,037	2,808,572	4,214,180
Total Revenues .....	24,218,668	10,300,523	3,354,568	37,873,759
Total Expenditures .....	23,696,836	10,488,917	5,408,157	39,593,910

### *General Fund*

Fund balance for the General Fund, the main operating fund of the State, increased by \$580.3 million (exclusive of a \$1.1 million decrease in inventories) or 75.6 percent during the current fiscal year. Key factors for most of the increase were strong personal income tax and corporate franchise tax revenue resulting from an expansion in the economy. These increases in revenues outpaced mandated spending increases in the Public Assistance and Medicaid function and in the Primary, Secondary and Other Education function.

### *General Fund Budgetary Highlights*

The State ended the second year of its biennial budget period on June 30, 2005 with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$1.23 billion. Total budgetary sources for the General Fund (including \$751.3 million in transfers from other funds) in the amount of \$27.3 billion were above final estimates by \$538.1 million or 2.0 percent during fiscal year 2005, while total tax receipts were above final estimates by \$625.4 million or 3.4 percent. During fiscal year 2005, it was not necessary to use any of the \$180.7 million that had been designated for budget stabilization purposes at June 30, 2004.

Total budgetary uses for the General Fund (including \$583.9 million in transfers to other funds) in the amount of \$27.5 billion were below final estimates by \$367.8 million or 1.3 percent for fiscal year 2005.

The appropriations act (Act) for the 2004-05 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor in June 2003. The Act provided for total GRF biennial revenue of approximately \$48.95 billion and total GRF biennial expenditures of approximately \$48.79 billion.

Among other expenditure controls, the Act included Medicaid cost-containment measures, including pharmacy cost-management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185 percent to 150 percent of the federal poverty level and freezing certain reimbursement rates; no compensation increases for most State employees in fiscal year 2004 and limited one-time increases in fiscal year 2005; and continued limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in fiscal year 2003 or the amount that would have been distributed under the standard formula.

The GRF expenditure authorizations for the 2004-05 biennium reflected and were supported by revenue enhancement actions contained in the Act including:

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005).
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television. (The inclusion of satellite television in the sales tax base is subject to an ongoing legal challenge.)
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax.

The Act also authorized a transfer of \$234.7 million of proceeds received from the national tobacco settlement into the GRF on June 30, 2004. In addition, the Act authorized the draw down during the biennium of federal block grant and Medicaid assistance aid made available to the State under a federal law effective May 28, 2003. OBM drew down \$211.6 million and \$316.8 million of those federal monies in fiscal years 2004 and 2005, respectively.

Based on regular monitoring of revenues and expenditures, OBM in March 2004 announced revised GRF revenue projections for fiscal years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. In response to OBM reducing its GRF revenue projection by \$247.1 million, or one percent, for fiscal year 2004 and by \$372.7 million, or 1.5 percent for fiscal year 2005, the Governor ordered fiscal year 2004 expenditure reductions of approximately \$100 million. The State ended fiscal year 2004 with a GRF fund balance of approximately \$157.5 million. On July 1, 2004, the Governor ordered additional fiscal year 2005 expenditure cuts of approximately \$118 million and a reduction of \$50 million in state spending on Medicaid reflecting an increased federal share of certain Medicaid services. Expressly excluded from those reductions were debt service and

lease rental payments relating to state obligations, state basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors, and certain job creation programs. The balance of reductions in revenue projections were offset by GRF expenditure lapses and, for fiscal year 2005, elimination of an additional \$100 million year-end set-aside for budget stabilization purposes, while maintaining a one-half percent year-end GRF fund balance.

Improving economic conditions had a positive effect on revenue in fiscal year 2005. Actual GRF budgetary sources, including transfers from other funds, were above estimates for fiscal year 2005 by \$538.1 million. With fiscal year 2005 spending close to original estimates, the State made the following fiscal year-end designations that resulted in cash transfers-out from the GRF in early fiscal year 2006: \$60 million to address a prior-year liability in the Temporary Assistance for Needy Families Program; \$40 million to a disaster services contingency fund; \$50 million to the State's share of the school facilities construction program; and \$394.2 million for budget stabilization.

#### *Other Major Governmental Funds*

Fund balance for the *Job, Family and Other Human Services Fund*, as of June 30, 2005, was a deficit in the amount of \$114.5 million, a decrease in the deficit of \$13.8 million since June 30, 2004. Expenditures exceeded revenues by \$18.2 million, and all of the deficiency of revenues under expenditures was offset by net transfers-in received from other funds in the amount of \$32 million.

Fund balance for the *Education Fund*, as of June 30, 2005, totaled \$66.8 million, an increase of \$18.5 million since June 30, 2004. Fiscal year 2005 net transfers-in for the fund in the amount of \$624.8 million was more than enough to cover the excess of expenditures over revenues reported for the fund in the amount of \$606.3 million.

Fund balance for the *Highway Operating Fund*, as of June 30, 2005, totaled \$592.2 million, a decrease of \$8.1 million (including a \$231 thousand increase in inventories) since June 30, 2004. The decline was in spite of an increase in the fund's revenues to \$1.81 billion in fiscal year 2005 from \$1.52 billion in fiscal year 2004. The revenue increase for this fund was due in part to a two-cent increase in the motor vehicle fuel tax rate from 24 cents a gallon to 26 cents a gallon, effective July 1, 2004. Expenditures in the amount of \$2.05 billion increased significantly during fiscal year 2005 when compared to the \$1.78 billion in expenditures reported for fiscal year 2004. There was a slight increase in transfers-out for fiscal year 2005 of \$7.3 million when compared to fiscal year 2004 results.

Fund balance for the *Revenue Distribution Fund*, as of June 30, 2005, totaled \$114.6 million, a decrease of \$4.2 million since June 30, 2004. Fiscal year 2005 net transfers-out to other governmental funds of \$731.3 million were greater than the \$727.1 million excess of revenues over expenditures, thus contributing to the decrease in fund balance.

#### *Major Proprietary Funds*

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

For the *Workers' Compensation Fund*, the \$139.1 million decrease in net assets was primarily due to a decrease in investment income of approximately \$261.5 million, and an increase in operating expenses of \$190.6 million, to \$3.26 billion in fiscal year 2005 from \$3.07 billion in fiscal year 2004. The Bureau of Workers' Compensation experienced net investment income of \$988.4 million, compared to net investment income of \$1.25 billion reported in the previous fiscal year. The decrease in net investment income was primarily attributable to an increase of \$488 million in the fair value of the investment portfolio in fiscal year 2005 compared to the \$791 million increase in fair value during fiscal year 2004.

Workers' compensation benefits and claims expenses exceeded premium and assessment income by \$820.8 million in fiscal year 2005 as compared with \$422.4 million in fiscal year 2004.

Net assets were reduced by premium dividend reductions and refunds expenses of \$232.8 million during fiscal year 2005 as compared to a \$415.5 million reduction in fiscal year 2004. The Workers' Compensation Oversight Commission approved a one-time, 20-percent premium reduction for Ohio private employers for the policy period, July 1, 2004 through December 31, 2004.

Workers' compensation benefits and claims expense were \$2.95 billion in fiscal year 2005 as compared to \$2.55 billion in fiscal year 2004. The increase in workers' compensation benefits is due largely to a decrease in the discount rate from 5.5 percent at June 30, 2004 to 5.25 percent at June 30, 2005. This .25 percent decrease in the

discount rate resulted in reserves for compensation and compensation adjustment expenses increasing by \$402 million. Medical costs in fiscal year 2005 were lower than expected by approximately \$32.6 million.

For fiscal year 2005, the *Lottery Commission Fund* reported \$674.3 million in income before transfers of \$645.1 million and \$536 thousand to the Education and General funds, respectively, posting a \$28.6 million increase in the fund's net assets. For fiscal year 2004, the Lottery Commission Fund reported approximately \$578.9 million in income before transfers of \$655.6 million and \$623 thousand to the Education and General funds, respectively, posting a \$77.3 million reduction in the fund's net assets. The increase in the Lottery Commission fund's net assets is primarily due to investment income of \$90.5 million in fiscal year 2005, as opposed to a \$12.3 million investment loss in fiscal year 2004.

Unemployment benefits and claims expenses of \$1.19 billion exceeded total operating and nonoperating revenues by approximately \$105.2 million for the *Unemployment Compensation Fund* which contributed to the decline in the fund's net assets of \$145.1 million for fiscal year 2005. As a result of the decline in the asset balance on deposit with the federal government relative to employer contributions during fiscal year 2005, investment income for the fund was \$34.1 million, down \$19.2 million or 36 percent from fiscal year 2004. As of June 30, 2005, the deposit with federal government was reported at \$612.7 million, as compared with \$711 million, as of June 30, 2004, a 13.8 percent decline. Premium and assessment income reported for fiscal year 2005 in the amount of \$994.6 million increased by \$146.9 million, while federal government revenue in the amount of \$21.3 million decreased by \$203.1 million when compared to fiscal year 2004. For calendar years 2004 and 2005, Ohio's annualized average unemployment rate was 6.1 percent, according to the U.S. Department of Labor.

#### *Nonmajor Proprietary Funds*

For fiscal year 2005, the *Tuition Trust Authority Fund* reduced its deficit by \$47.2 million or 16.3 percent. The deficit reduction was primarily due to a decrease in benefits and claims expenses of \$89.4 million, which more than offset a decrease in investment income of \$38.9 million. The investment income for the Authority was \$70.1 million in fiscal year 2005 as compared to \$109 million in fiscal year 2004. The decrease in investment income was primarily attributable to more modest returns on the Authority's securities, as compared to those experienced in fiscal year 2004. Tuition benefit expense was \$21.6 million in fiscal year 2005, as compared to \$111 million in fiscal year 2004. The decrease in the tuition benefits expense was a result of more modest growth in tuition increases during fiscal year 2005 and the slower estimated increase in the projected future tuition growth due to the suspension of sales in the Guaranteed Savings Program. While the reduction in the benefits claims expenses contributed to the reduction in the Authority's deficit for fiscal year 2005, charges for sales and services decreased by \$32.1 million or 81.5 percent. This reduction is due to the complete suspension of tuition unit sales in the Guaranteed Savings Program during fiscal year 2005 compared to tuition unit sales occurring over a six-month period in fiscal year 2004.

The *Liquor Control Fund* reported a net gain of \$431 thousand after transferring \$120 million to the General Fund and \$34.6 million to other governmental funds.

In fiscal year 2005, transfers from proprietary funds to governmental funds totaled \$867.5 million, up \$37.2 million or 4.5 percent when compared to the \$830.3 million in transfers-out reported in fiscal year 2004.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2005 and June 30, 2004, the State had invested \$23.63 billion and \$23.2 billion (as restated), net of accumulated depreciation of \$2.13 billion and \$2.02 billion (as restated), respectively, in a broad range of capital assets, as detailed in the table below.

**Capital Assets, Net of Accumulated Depreciation**  
**As of June 30, 2005**  
**With Comparatives as of June 30, 2004**  
*(dollars in thousands)*

	As of June 30, 2005			As of June 30, 2004 (as restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land .....	\$ 1,635,516	\$ 11,994	\$ 1,647,510	\$ 1,594,965	\$ 12,631	\$ 1,607,596
Buildings.....	1,988,843	113,831	2,102,674	2,032,556	133,763	2,166,319
Land Improvements .....	170,386	16	170,402	145,303	17	145,320
Machinery and Equipment .....	171,234	27,332	198,566	159,160	34,928	194,088
Vehicles.....	130,050	1,931	131,981	126,615	2,462	129,077
Infrastructure:						
Highway Network:						
General Subsystem .....	8,340,132	—	8,340,132	8,232,748	—	8,232,748
Priority Subsystem.....	6,831,667	—	6,831,667	6,707,733	—	6,707,733
Bridge Network .....	2,333,692	—	2,333,692	2,287,175	—	2,287,175
Parks, Recreation, and						
Natural Resources System .....	31,329	—	31,329	23,402	—	23,402
	21,632,849	155,104	21,787,953	21,309,657	183,801	21,493,458
Construction-in-Progress .....	1,839,008	71	1,839,079	1,710,488	—	1,710,488
Total Capital Assets, Net .....	\$23,471,857	\$155,175	\$23,627,032	\$23,020,145	\$183,801	\$23,203,946

During fiscal year 2005, the State recognized \$212.7 million in annual depreciation expense relative to its general governmental capital assets as compared with \$209 million in depreciation expense recognized in fiscal year 2004 (as restated).

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2005 totaling approximately \$388.4 million, as compared with \$615.6 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 1.8 percent (about a two percent increase for governmental activities and a 15.6 percent decrease for business-type activities). As is further detailed in NOTE 19C. of the notes to the financial statements, the State had \$159.2 million in major construction commitments (unrelated to infrastructure), as of June 30, 2005, as compared with the \$226.2 million balance reported for June 30, 2004.

#### *Modified Approach*

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,562 in lane miles of highway (12,355 in lane miles for the priority highway subsystem and 30,207 in lane miles for the general highway subsystem) and approximately 82.7 million square feet of deck area that comprises more than 12,500 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, free-ways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2004, indicates that only 4.5 percent and 2.2 percent of the priority and general subsystems, respectively, were assigned a "poor" con-

dition rating. For calendar year 2003, only 3.9 percent and 1.1 percent of the priority and general subsystems, respectively, were assigned a “poor” condition rating.

For the bridge network, it is the State’s intention to allow no more than 15 percent of the total number of square feet of deck area to be in “fair” or “poor” condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2004, indicates that only 2.8 percent and .02 percent of the number of square feet of bridge deck area were considered to be in “fair” and “poor” conditions, respectively. For calendar year 2003, only 2.7 percent and .02 percent of the number of square feet of bridge deck area were considered to be in “fair” and “poor” conditions, respectively.

For fiscal year 2005, total actual maintenance and preservation costs for the priority and general subsystems were \$341 million and \$301.6 million, respectively, compared to estimated costs of \$327.6 million for the priority system and \$206.9 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$231.9 million compared to estimated costs of \$241.7 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were \$273.3 million and \$227.4 million respectively, compared to estimated costs of \$195.3 million for the priority system and \$133.2 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$208.4 million compared to estimated costs of \$147.8 million.

More detailed information on the State’s capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

#### **Debt — Bonds and Notes Payable and Certificates of Participation Obligations**

As of June 30, 2005 and June 30, 2004, the State had total debt of approximately \$10.57 billion and \$10.11 billion, respectively, as shown in the table below.

**Bonds and Notes Payable and Certificates of Participation**  
**As of June 30, 2005**  
**With Comparatives as of June 30, 2004**  
*(dollars in thousands)*

	As of June 30, 2005			As of June 30, 2004 (as restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Bonds and Notes Payable:						
General Obligation Bonds .....	\$ 6,039,203	\$ —	\$ 6,039,203	\$5,420,711	\$ —	\$ 5,420,711
Revenue Bonds and Notes .....	591,888	151,063	742,951	607,958	158,578	766,536
Special Obligation Bonds .....	3,699,936	—	3,699,936	3,914,168	—	3,914,168
Certificates of Participation .....	92,142	—	92,142	6,480	—	6,480
Total Debt .....	<u>\$10,423,169</u>	<u>\$151,063</u>	<u>\$10,574,232</u>	<u>\$9,949,317</u>	<u>\$158,578</u>	<u>\$10,107,895</u>

The State’s general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of the State, are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the OBA are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2005, the State issued at par \$1.09 billion in general obligation bonds, \$50 million in revenue bonds, and \$834.1 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued at par, \$105.8 million and \$601 million, respectively, were refunding bonds. The total increase in the State’s debt obligations for the current fiscal year, as based on carrying amount, was 4.6 percent (a 4.8 percent increase for governmental activities and a 4.7 percent decrease for business-type activities).

#### *Credit Ratings*

Ohio’s credit ratings for general obligation debt are Aa1 by Moody’s Investors Service, Inc. (Moody’s) and AA+ by Fitch Inc. (Fitch). Standard & Poor’s Ratings Services (S&P) rates the State’s general obligation debt as AA+, except for Highway Capital Improvement Obligations, which are rated AAA.

For special obligation bonds, which the Ohio Building Authority and the Treasurer of State issue and General Revenue Fund appropriations secure, Moody's rating is Aa2 while S&P and Fitch rate these bonds AA.

The State's revenue bonds are rated as follows:

<b>Revenue Bonds</b>	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Source of State Payment</b>
<b>Governmental Activities:</b>				
Treasurer of State:				
Economic Development.....	A+	Aa3	AA-	Net Liquor Profits
State Infrastructure Bank.....	AA-	Aa2	AA	Federal Transportation Grants
Revitalization Projects .....	A+	A1	A+	Net Liquor Profits
<b>Business-Type Activities:</b>				
Bureau of Workers' Compensation.....	AA	Aa3	AA	Workers' Compensation Enterprise Fund
Ohio Building Authority .....	AA	Aa2	AA	Lease-Rental Receipts

### *Limitations on Debt*

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the state official responsible for making the five-percent determinations and certifications. Application of the five-percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly, and that cap does not apply to bonds issued to retire bond anticipation notes for which the requirements were met as to the bonds anticipated at the time of note issuance, or to debt issued to defend the State in time of war.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

### **Conditions Expected to Affect Future Operations**

#### *Economic Factors*

Several economic measures weakened in February 2006, as the mild January was followed by more seasonable weather, but the larger picture was one of sustained momentum. The consensus for first-quarter economic growth is approximately 4.5 percent, led by a strong rebound in personal consumption expenditures, business fixed investment, and government purchases. U.S. employment growth remained steady in March, with payrolls rising by more than 200,000 jobs for the second month in a row. Labor markets have remained weaker in the Midwest, where Ohio employment declined for the third consecutive month. Housing activity continued to slow from a very fast pace, and is expected to subtract from overall growth this year.

Ohio personal income increased 5.8 percent annualized in the fourth quarter of 2005, compared with a 9.4 percent increase for the nation. The U.S. figure includes the regional third quarter bounce-back from the hurricanes. Ohio personal income increased 4.4 percent for the year, ranking 44th among the states. On a per capita basis, Ohio personal income increased 4.2 percent, ranking 37<sup>th</sup>. Income growth in all states in the Great Lakes region ranked low nationally. U.S. personal income increased 5.5 percent for the entire year. Higher population gains account for the growth differential between the U.S. and the Great Lakes Region. The spread between growth in Ohio personal income and U.S. personal income narrowed somewhat last year, as growth in U.S. personal income slowed modestly while growth in Ohio personal income edged higher.

Ohio employment fell for the third consecutive month in February 2006 by 2,000 jobs. Employment has declined by 15,000 jobs since November 2005. Two-thirds of the decline during the three months occurred in Manufacturing and in Professional and Business Services. Employment fell during the three months in all major categories except Financial Activities, which added 3,700 jobs across Ohio.

### *General Revenue Fund*

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the General Revenue Fund (GRF). Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

Through March 2006, year-to-date budgetary revenues for the GRF were over estimate for fiscal year 2006 by \$152.5 million, or .8 percent because tax sources for the GRF were \$204.3 million, or 1.5 percent, above estimate. In comparison with the same point in time in fiscal year 2005, total GRF receipts for fiscal year 2006 have grown \$666 million, or 3.8 percent, and GRF tax sources have grown \$519.9 million, or 3.9 percent. Growth rates were affected the most by the rate increase in the cigarette tax, the new commercial activity tax and by the rate cuts in the sales, personal income, and corporate franchise taxes. Also, through the third quarter of fiscal year 2006, year-to-date expenditures for the GRF were \$426.4 million, or 2.1 percent, under estimate.

Consistent with State law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the 2006-07 biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2005. That Act provides for total GRF biennial revenue of approximately \$51.5 billion (a 3.8 percent increase over the 2004-05 biennial revenue) and total GRF biennial appropriations of approximately \$51.3 billion (a five percent increase over the 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures are: 5.8 percent for Medicaid (the Act also included a number of Medicaid reform and cost-containment initiatives); 3.4 percent for higher education; 4.2 percent for elementary and secondary education; 5.5 percent for corrections and youth services; and 4.8 percent for mental health and mental retardation. The Executive Budget, the GRF appropriations Act, and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The GRF expenditure authorizations for the 2006-07 biennium reflect and are supported by a significant restructuring of major state taxes, including:

- A 21-percent reduction in state personal income tax rates phased in at 4.2 percent a year over the 2005 through 2009 tax years.
- Phased elimination of the state corporate franchise tax at a rate of approximately 20 percent a year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio that will be phased in over the 2005 through 2009 tax years. When fully phased-in, the CAT will be levied at a rate of 0.26 percent on gross receipts in excess of \$1 million.
- A 5.5-percent state sales and use tax (decreased from the six-percent rate for the 2004-05 biennium).
- An increase in the cigarette tax rate from 55 cents a pack (of 20 cigarettes) to \$1.25 a pack.

### **Contacting the Ohio Office of Budget and Management**

This financial report is designed to provide the State's citizens, taxpayers, customers, and investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34<sup>th</sup> Floor, Columbus, Ohio 43215-3457 or by e-mail at [obm@obm.state.oh.us](mailto:obm@obm.state.oh.us).



# **BASIC FINANCIAL STATEMENTS**

**STATE OF OHIO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
(dollars in thousands)

<b>PRIMARY GOVERNMENT</b>				
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>ASSETS:</b>				
Cash Equity with Treasurer.....	\$ 5,902,053	\$ 80,271	\$ 5,982,324	\$ 415,057
Cash and Cash Equivalents.....	94,269	1,297,468	1,391,737	690,134
Investments.....	934,536	15,561,651	16,496,187	5,428,701
Collateral on Lent Securities.....	3,514,417	1,767,597	5,282,014	237,116
Deposit with Federal Government.....	—	612,728	612,728	—
Taxes Receivable.....	1,156,822	—	1,156,822	—
Intergovernmental Receivable.....	1,589,274	3,345	1,592,619	41,454
Premiums and				
Assessments Receivable.....	—	1,573,029	1,573,029	—
Investment Trade Receivable.....	—	770,993	770,993	—
Loans Receivable, Net.....	933,143	—	933,143	250,344
Receivable from Primary Government.....	—	—	—	47,204
Other Receivables.....	649,453	311,997	961,450	876,229
Inventories.....	42,251	35,071	77,322	52,520
Other Assets.....	74,021	13,953	87,974	429,651
Restricted Assets:				
Cash Equity with Treasurer.....	—	62,752	62,752	—
Cash and Cash Equivalents.....	—	1,675	1,675	549,786
Investments.....	—	1,695,507	1,695,507	1,621,779
Collateral on Lent Securities.....	—	439,250	439,250	—
Loans Receivable, Net.....	—	—	—	2,909,515
Other Receivables.....	—	2,775	2,775	—
Capital Assets Being Depreciated, Net.....	2,431,777	143,110	2,574,887	6,489,574
Capital Assets Not Being Depreciated.....	21,040,080	12,065	21,052,145	1,366,636
<b>TOTAL ASSETS.....</b>	<b>38,362,096</b>	<b>24,385,237</b>	<b>62,747,333</b>	<b>21,405,700</b>
<b>LIABILITIES:</b>				
Accounts Payable.....	703,215	50,836	754,051	367,833
Accrued Liabilities.....	294,720	4,577	299,297	473,201
Medicaid Claims Payable.....	953,273	—	953,273	—
Obligations Under Securities Lending.....	3,514,417	2,206,847	5,721,264	237,116
Investment Trade Payable.....	—	1,933,453	1,933,453	—
Intergovernmental Payable.....	1,262,910	461	1,263,371	540
Internal Balances.....	792,474	(792,474)	—	—
Payable to Component Units.....	47,204	—	47,204	—
Unearned Revenue.....	429,935	1,720	431,655	190,330
Benefits Payable.....	—	755	755	—
Refund and Other Liabilities.....	861,106	104,566	965,672	105,740
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	944,405	15,237	959,642	699,178
Due in More Than One Year.....	9,386,622	135,826	9,522,448	4,689,841
Certificates of Participation:				
Due in One Year.....	1,005	—	1,005	525
Due in More Than One Year.....	91,137	—	91,137	27,925
Other Noncurrent Liabilities:				
Due in One Year.....	112,656	2,459,736	2,572,392	1,005,199
Due in More Than One Year.....	497,556	16,903,548	17,401,104	2,142,484
<b>TOTAL LIABILITIES.....</b>	<b>19,892,635</b>	<b>23,025,088</b>	<b>42,917,723</b>	<b>9,939,912</b>

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<b>NET ASSETS:</b>				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt.....</i>	20,454,447	(1,839)	20,452,608	4,998,649
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	8,200	—	8,200	—
<i>Transportation and Highway Safety.....</i>	744,913	—	744,913	—
<i>State and Local</i>				
<i>Highway Construction.....</i>	129,299	—	129,299	—
<i>Federal Programs.....</i>	38,656	—	38,656	19
<i>Coal Research</i>				
<i>and Development Program.....</i>	—	—	—	13,079
<i>Clean Ohio Program.....</i>	41,673	—	41,673	—
<i>Debt Service.....</i>	—	—	—	2,124,820
<i>Community and Economic Development</i>				
<i>and Capital Purposes.....</i>	935,842	—	935,842	—
<i>Enterprise Bond Program.....</i>	10,000	—	10,000	—
<i>Workers' Compensation.....</i>	—	734,845	734,845	—
<i>Deferred Lottery Prizes.....</i>	—	102,614	102,614	—
<i>Unemployment Compensation.....</i>	—	663,921	663,921	—
<i>Ohio Building Authority.....</i>	—	26,996	26,996	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	2,754,932
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,647,530
<i>Unrestricted (Deficits).....</i>	(3,893,569)	(166,388)	(4,059,957)	(73,241)
<b>TOTAL NET ASSETS.....</b>	<b>\$ 18,469,461</b>	<b>\$ 1,360,149</b>	<b>\$ 19,829,610</b>	<b>\$ 11,465,788</b>

**STATE OF OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

		PROGRAM REVENUES				
			CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
FUNCTIONS/PROGRAMS	EXPENSES					
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
Primary, Secondary						
and Other Education.....	\$ 10,500,951	\$ 35,475	\$ 1,597,393	\$ —	\$ (8,868,083)	
Higher Education Support .....	2,477,856	4,174	12,716	—	(2,460,966)	
Public Assistance and Medicaid .....	14,245,026	613,227	9,261,947	—	(4,369,852)	
Health and Human Services .....	3,336,010	144,589	1,967,928	440	(1,223,053)	
Justice and Public Protection .....	2,973,118	850,032	309,988	854	(1,812,244)	
Environmental Protection						
and Natural Resources.....	397,924	178,226	80,127	604	(138,967)	
Transportation .....	1,900,507	9,779	66,405	1,084,981	(739,342)	
General Government .....	670,317	405,805	115,740	1,267	(147,505)	
Community and Economic						
Development.....	3,444,746	313,724	362,358	—	(2,768,664)	
Interest on Long-Term Debt						
(excludes interest charged as						
program expense).....	175,700	—	—	—	(175,700)	
TOTAL GOVERNMENTAL ACTIVITIES	40,122,155	2,555,031	13,774,602	1,088,146	(22,704,376)	
BUSINESS-TYPE ACTIVITIES:						
Workers' Compensation.....	3,263,118	2,138,490	988,440	—	(136,188)	
Lottery Commission.....	1,581,100	2,164,857	90,493	—	674,250	
Unemployment Compensation.....	1,194,040	49,942	1,028,500	—	(115,598)	
Ohio Building Authority.....	27,327	26,853	404	—	(70)	
Tuition Trust Authority.....	30,214	7,311	—	—	(22,903)	
Liquor Control.....	401,187	556,213	—	—	155,026	
Underground Parking Garage.....	2,692	2,638	37	—	(17)	
Office of Auditor of State.....	73,501	40,612	79	—	(32,810)	
TOTAL BUSINESS-TYPE ACTIVITIES...	6,573,179	4,986,916	2,107,953	—	521,690	
TOTAL PRIMARY GOVERNMENT.....	\$ 46,695,334	\$ 7,541,947	\$ 15,882,555	\$ 1,088,146	\$ (22,182,686)	
COMPONENT UNITS:						
School Facilities Commission.....	\$ 875,526	\$ 1,167	\$ 6,150	\$ —	\$ (868,209)	
Ohio Water Development Authority.....	118,157	129,865	141,288	—	152,996	
Ohio State University.....	3,049,675	2,049,465	600,152	16,638	(383,420)	
University of Cincinnati.....	901,203	352,666	360,632	12,026	(175,879)	
Other Component Units.....	3,980,487	2,407,238	562,991	44,239	(966,019)	
TOTAL COMPONENT UNITS.....	\$ 8,925,048	\$ 4,940,401	\$ 1,671,213	\$ 72,903	\$ (2,240,531)	

The notes to the financial statements are an integral part of this statement.

	<b>PRIMARY GOVERNMENT</b>			
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>CHANGES IN NET ASSETS:</b>				
Net (Expense) Revenue.....	\$ (22,704,376)	\$ 521,690	\$ (22,182,686)	\$ (2,240,531)
<b>General Revenues:</b>				
Taxes:				
Income.....	9,450,119	—	9,450,119	—
Sales.....	8,135,552	—	8,135,552	—
Corporate and Public Utility .....	1,838,882	—	1,838,882	—
Cigarette.....	577,699	—	577,699	—
Other.....	651,646	—	651,646	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,753,390	—	1,753,390	—
Total Taxes.....	22,407,288	—	22,407,288	—
Tobacco Settlement.....	321,335	—	321,335	—
Escheat Property.....	91,867	—	91,867	—
Unrestricted Investment Income.....	46,797	70,609	117,406	270,108
State Assistance .....	—	—	—	2,462,824
Other.....	287	5,837	6,124	41,664
Contributions.....	—	—	—	91,620
Special Items.....	—	—	—	(1,357)
Transfers-Internal Activities.....	807,653	(807,653)	—	—
<b>TOTAL GENERAL REVENUES, CONTRIBUTIONS, AND TRANSFERS...</b>	<b>23,675,227</b>	<b>(731,207)</b>	<b>22,944,020</b>	<b>2,864,859</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>970,851</b>	<b>(209,517)</b>	<b>761,334</b>	<b>624,328</b>
<b>NET ASSETS, JULY 1 (as restated)..<b></b></b>	<b>17,498,610</b>	<b>1,569,666</b>	<b>19,068,276</b>	<b>10,841,460</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 18,469,461</b>	<b>\$ 1,360,149</b>	<b>\$ 19,829,610</b>	<b>\$ 11,465,788</b>

**STATE OF OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)

<b>MAJOR FUNDS</b>			
	<b>GENERAL</b>	<b>JOB, FAMILY AND OTHER HUMAN SERVICES</b>	<b>EDUCATION</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 2,033,345	\$ 223,436	\$ 84,025
Cash and Cash Equivalents .....	12,139	1,906	555
Investments .....	346,784	8,898	2,359
Collateral on Lent Securities .....	1,215,908	132,810	49,919
Taxes Receivable .....	868,701	—	—
Intergovernmental Receivable .....	579,220	503,846	106,542
Loans Receivable, Net .....	39,233	—	8,653
Interfund Receivable .....	256,651	3	—
Other Receivables .....	417,180	38,417	302
Inventories .....	18,617	—	—
Other Assets .....	10,726	1,357	5,530
<b>TOTAL ASSETS .....</b>	<b>\$ 5,798,504</b>	<b>\$ 910,673</b>	<b>\$ 257,885</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 181,783	\$ 53,878	\$ 9,238
Accrued Liabilities .....	106,619	13,560	1,492
Medicaid Claims Payable .....	953,273	—	—
Obligations Under Securities Lending .....	1,215,908	132,810	49,919
Intergovernmental Payable .....	333,207	264,685	70,371
Interfund Payable .....	571,330	16,435	2,121
Payable to Component Units .....	15,160	431	268
Deferred Revenue .....	292,131	298,536	8,448
Unearned Revenue .....	153	234,472	49,191
Refund and Other Liabilities .....	773,305	10,374	—
Liability for Escheat Property .....	9,863	—	—
<b>TOTAL LIABILITIES .....</b>	<b>4,452,732</b>	<b>1,025,181</b>	<b>191,048</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	—	—	—
Encumbrances .....	277,521	2,011,363	21,396
Noncurrent Portion of Loans Receivable .....	36,200	—	8,369
Noncurrent Portion of Interfund Receivable .....	251,653	—	—
Loan Commitments .....	—	—	—
Inventories .....	18,617	—	—
State and Local Highway Construction .....	—	—	—
Federal Programs .....	—	303	8,040
Other .....	43,404	4,982	450
Unreserved/Designated .....	718,377	—	—
Unreserved/Undesignated (Deficits):			
Special Revenue Funds .....	—	(2,131,156)	28,582
Capital Projects Funds .....	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>1,345,772</b>	<b>(114,508)</b>	<b>66,837</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 5,798,504</b>	<b>\$ 910,673</b>	<b>\$ 257,885</b>

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 617,663	\$ 354,800	\$ 2,588,784	\$ 5,902,053
1,236	13,179	65,254	94,269
—	—	576,495	934,536
366,484	210,524	1,538,772	3,514,417
59,765	223,396	4,960	1,156,822
112,084	—	287,582	1,589,274
71,369	—	813,888	933,143
1	—	3,364	260,019
1,600	—	191,954	649,453
23,634	—	—	42,251
2,294	—	6,341	26,248
<u>\$ 1,256,130</u>	<u>\$ 801,899</u>	<u>\$ 6,077,394</u>	<u>\$ 15,102,485</u>

\$ 166,723	\$ —	\$ 291,593	\$ 703,215
20,550	—	39,370	181,591
—	—	—	953,273
366,484	210,524	1,538,772	3,514,417
795	376,430	217,422	1,262,910
95,309	396	366,902	1,052,493
406	—	30,939	47,204
10,574	21,658	227,671	859,018
3,129	7,939	135,051	429,935
—	70,389	3,898	857,966
—	—	—	9,863
<u>663,970</u>	<u>687,336</u>	<u>2,851,618</u>	<u>9,871,885</u>

—	—	61,298	61,298
1,542,872	—	1,359,136	5,212,288
70,462	—	797,448	912,479
—	—	—	251,653
—	—	105,069	105,069
23,634	—	—	42,251
—	129,299	—	129,299
—	—	15,245	23,588
7,419	—	27,739	83,994
—	—	—	718,377
(1,052,227)	(14,736)	826,702	(2,342,835)
—	—	33,139	33,139
<u>592,160</u>	<u>114,563</u>	<u>3,225,776</u>	<u>5,230,600</u>
<u>\$ 1,256,130</u>	<u>\$ 801,899</u>	<u>\$ 6,077,394</u>	<u>\$ 15,102,485</u>

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**STATE OF OHIO**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
(dollars in thousands)

**Total Fund Balances for Governmental Funds.....** **\$ 5,230,600**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Infrastructure, net of \$2,003 accumulated depreciation.....	17,536,820
Land.....	1,635,516
Buildings and Improvements, net of \$1,299,226 accumulated depreciation.....	1,988,843
Land Improvements, net of \$137,080 accumulated depreciation.....	170,386
Machinery and Equipment, net of \$352,199 accumulated depreciation.....	171,234
Vehicles, net of \$113,613 accumulated depreciation.....	130,050
Construction-in-Progress.....	1,839,008
	<u>23,471,857</u>

Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

Taxes Receivable.....	206,270
Intergovernmental Receivable.....	462,162
Other Receivables.....	182,704
Other Assets.....	7,882
	<u>859,018</u>

Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.

47,773

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Accrued Liabilities:</i>	
Interest Payable.....	(113,129)
Refund and Other Liabilities.....	(3,140)
<i>Bonds and Notes Payable:</i>	
General Obligation Bonds.....	(6,039,203)
Revenue Bonds.....	(591,888)
Special Obligation Bonds.....	(3,699,936)
Certificates of Participation.....	(92,142)
<i>Other Noncurrent Liabilities:</i>	
Compensated Absences.....	(397,617)
Capital Leases Payable.....	(2,471)
Estimated Claims Payable.....	(6,623)
Liability for Escheat Property.....	(193,638)
	<u>(11,139,787)</u>

**Total Net Assets of Governmental Activities.....** **\$ 18,469,461**

The notes to the financial statements are an integral part of this statement.

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

	<b>MAJOR FUNDS</b>		
	<b>GENERAL</b>	<b>JOB, FAMILY AND OTHER HUMAN SERVICES</b>	<b>EDUCATION</b>
<b>REVENUES:</b>			
Income Taxes .....	\$ 8,563,376	\$ —	\$ —
Sales Taxes .....	7,816,395	—	—
Corporate and Public Utility Taxes .....	1,468,576	—	—
Motor Vehicle Fuel Taxes .....	—	—	—
Cigarette Taxes .....	577,671	—	—
Other Taxes .....	591,998	4,029	—
Licenses, Permits and Fees .....	148,877	415,273	901
Sales, Services and Charges .....	41,911	—	274
Federal Government .....	5,724,597	4,091,566	1,547,006
Tobacco Settlement .....	—	—	—
Escheat Property .....	118,719	—	—
Investment Income .....	140,891	10,739	2,385
Other .....	259,617	116,070	20,903
<b>TOTAL REVENUES .....</b>	<b>25,452,628</b>	<b>4,637,677</b>	<b>1,571,469</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	7,946,313	43,396	2,138,117
Higher Education Support .....	2,101,582	451	19,107
Public Assistance and Medicaid .....	10,164,502	4,073,566	—
Health and Human Services .....	1,154,597	507,000	938
Justice and Public Protection .....	1,878,139	27,634	19,604
Environmental Protection and Natural Resources .....	110,631	—	—
Transportation .....	30,702	—	—
General Government .....	417,719	2,711	—
Community and Economic Development .....	637,389	593	—
<b>CAPITAL OUTLAY .....</b>	<b>—</b>	<b>569</b>	<b>—</b>
<b>DEBT SERVICE .....</b>	<b>543</b>	<b>—</b>	<b>—</b>
<b>TOTAL EXPENDITURES .....</b>	<b>24,442,117</b>	<b>4,655,920</b>	<b>2,177,766</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>1,010,511</b>	<b>(18,243)</b>	<b>(606,297)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	419,349	—	—
Refunding Bonds Issued .....	—	—	—
Payment to Refunded Bond Escrow Agents .....	—	—	—
Premiums .....	26	—	—
Discounts .....	—	—	—
Capital Leases .....	122	—	—
Transfers-in .....	366,376	135,479	656,714
Transfers-out .....	(1,216,051)	(103,450)	(31,886)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(430,178)</b>	<b>32,029</b>	<b>624,828</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>580,333</b>	<b>13,786</b>	<b>18,531</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated) .....</b>	<b>766,571</b>	<b>(128,294)</b>	<b>48,306</b>
Increase (Decrease) for Changes in Inventories .....	(1,132)	—	—
<b>FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b>\$ 1,345,772</b>	<b>\$ (114,508)</b>	<b>\$ 66,837</b>

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ —	\$ 829,300	\$ 6,303	\$ 9,398,979
—	301,264	17,893	8,135,552
—	357,765	12,542	1,838,883
594,817	1,135,887	22,685	1,753,389
—	—	27	577,698
—	13,623	41,997	651,647
70,303	332,900	883,485	1,851,739
2,634	—	39,027	83,846
1,122,072	—	2,155,476	14,640,717
—	—	321,050	321,050
—	—	—	118,719
12,358	975	60,838	228,186
2,948	89	241,047	640,674
<u>1,805,132</u>	<u>2,971,803</u>	<u>3,802,370</u>	<u>40,241,079</u>
—	116,063	134,003	10,377,892
—	—	250,714	2,371,854
—	—	299	14,238,367
—	3,666	1,612,401	3,278,602
—	294,100	684,036	2,903,513
—	—	268,714	379,345
2,047,852	—	364	2,078,918
—	—	164,902	585,332
—	1,830,890	893,707	3,362,579
—	—	466,344	466,913
—	—	1,415,687	1,416,230
<u>2,047,852</u>	<u>2,244,719</u>	<u>5,891,171</u>	<u>41,459,545</u>
<u>(242,720)</u>	<u>727,084</u>	<u>(2,088,801)</u>	<u>(1,218,466)</u>
—	—	927,936	1,347,285
—	—	706,835	706,835
—	—	(768,952)	(768,952)
—	—	142,900	142,926
—	—	(94)	(94)
213	—	—	335
519,319	100,318	1,545,044	3,323,250
(285,104)	(831,643)	(47,463)	(2,515,597)
<u>234,428</u>	<u>(731,325)</u>	<u>2,506,206</u>	<u>2,235,988</u>
<u>(8,292)</u>	<u>(4,241)</u>	<u>417,405</u>	<u>1,017,522</u>
600,221	118,804	2,808,572	4,214,180
231	—	(201)	(1,102)
<u>\$ 592,160</u>	<u>\$ 114,563</u>	<u>\$ 3,225,776</u>	<u>\$ 5,230,600</u>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

<b>Net Change in Fund Balances -- Total Governmental Funds.....</b>	<b>\$ 1,017,522</b>
Change in Inventories.....	(1,102)
	<u>1,016,420</u>

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	664,374	
Depreciation Expense.....	(212,662)	
Excess of Capital Outlay Over Depreciation Expense.....		<u>451,712</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

General Obligation Bonds.....	(985,000)	
Revenue Bonds.....	(50,000)	
Special Obligation Bonds.....	(233,100)	
Refunding Bonds, including Bond Premium/Discount, Net.....	(775,318)	
Certificates of Participation.....	(79,185)	
Premiums and Discounts, Net:		
General Obligation Bonds.....	(51,651)	
Revenue Bonds.....	(784)	
Special Obligation Bonds.....	(14,493)	
Certificates of Participation.....	(7,422)	
Deferred Refunding Loss.....	55,024	
Capital Leases.....	(334)	
Total Debt Proceeds.....		<u>(2,142,263)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

<i>Debt Principal Retirement and Defeasements:</i>		
General Obligation Bonds.....	523,016	
Revenue Bonds.....	62,175	
Special Obligation Bonds.....	1,069,239	
Certificates of Participation.....	945	
Capital Lease Payments.....	1,323	
Total Long-Term Debt Repayment.....		<u>1,656,698</u>

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues increased by this amount this year.

11,740

The notes to the financial statements are an integral part of this statement.

Some expenses reported in the Statement of Activities are not reported as expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

<i>Increase in Bond Issue Costs Included in Other Assets.....</i>	<i>12,282</i>	
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	<i>(8,538)</i>	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	<i>35,988</i>	
<i>Amortization of Deferred Refunding Loss.....</i>	<i>(23,286)</i>	
<i>Increase in Compensated Absences.....</i>	<i>(15,409)</i>	
<i>Decrease in Refund and Other Liabilities.....</i>	<i>2,430</i>	
<i>Increase in Estimated Claims Payable.....</i>	<i>(71)</i>	
<i>Increase in Liability for Escheat Property.....</i>	<i>(26,852)</i>	
		<i>(23,456)</i>
<b><i>Total additional expenditures.....</i></b>		<b><i>(23,456)</i></b>
<b><i>Change in Net Assets of Governmental Activities.....</i></b>		<b><i>\$ 970,851</i></b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>REVENUES:</b>				
Income Taxes .....	\$ 8,103,200	\$ 8,103,200	\$ 8,598,865	\$ 495,665
Sales Taxes .....	7,865,700	7,865,700	7,827,130	(38,570)
Corporate and Public Utility Taxes .....	1,347,700	1,347,700	1,495,539	147,839
Motor Vehicle Fuel Taxes .....	—	—	—	—
Cigarette Taxes.....	551,000	551,000	577,671	26,671
Other Taxes .....	597,053	597,053	590,849	(6,204)
Licenses, Permits and Fees .....	157,335	157,335	165,541	8,206
Sales, Services and Charges .....	47,984	47,984	48,512	528
Federal Government .....	5,843,287	5,843,287	5,716,295	(126,992)
Investment Income .....	25,942	25,942	36,928	10,986
Other .....	1,443,752	1,443,752	1,454,702	10,950
<b>TOTAL REVENUES.....</b>	<b>25,982,953</b>	<b>25,982,953</b>	<b>26,512,032</b>	<b>529,079</b>
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	7,518,627	7,669,530	7,648,388	21,142
Higher Education Support .....	2,148,977	2,154,333	2,151,290	3,043
Public Assistance and Medicaid .....	10,966,263	11,201,710	11,111,586	90,124
Health and Human Services .....	1,359,215	1,343,822	1,321,884	21,938
Justice and Public Protection .....	2,088,364	2,081,112	2,044,268	36,844
Environmental Protection and Natural Resources .....	155,327	152,842	146,048	6,794
Transportation .....	51,898	50,434	50,282	152
General Government .....	690,007	737,165	642,603	94,562
Community and Economic Development .....	709,881	743,912	729,599	14,313
<b>CAPITAL OUTLAY .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>1,131,635</b>	<b>1,131,587</b>	<b>1,033,059</b>	<b>98,528</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>26,820,194</b>	<b>27,266,447</b>	<b>26,879,007</b>	<b>387,440</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>	<b>(837,241)</b>	<b>(1,283,494)</b>	<b>(366,975)</b>	<b>916,519</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-in .....	592,321	742,321	751,315	8,994
Transfers-out .....	(564,301)	(564,301)	(583,936)	(19,635)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>28,020</b>	<b>178,020</b>	<b>167,379</b>	<b>(10,641)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (809,221)</b>	<b>\$ (1,105,474)</b>	<b>(199,596)</b>	<b>\$ 905,878</b>
<b>BUDGETARY FUND BALANCES</b>				
(DEFICITS), JULY 1 .....			934,290	
Outstanding Encumbrances at Beginning of Fiscal Year .....			496,211	
<b>BUDGETARY FUND BALANCES</b>				
(DEFICITS), JUNE 30 .....			\$ 1,230,905	

The notes to the financial statements are an integral part of this statement.

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL			ORIGINAL	FINAL		
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		4,029				—	
		450,549				901	
		—				274	
		3,189,332				1,565,394	
		10,495				2,249	
		177,228				32,005	
		<b>3,831,633</b>				<b>1,600,823</b>	
\$ 118,092	\$ 118,262	116,558	\$ 1,704	\$ 2,190,615	\$ 2,364,766	2,210,971	\$ 153,795
1,791	5,137	4,388	749	25,852	32,177	15,204	16,973
5,520,340	5,857,393	5,490,262	367,131	—	—	—	—
599,696	606,965	578,965	28,000	383	1,743	972	771
60,870	60,870	31,466	29,404	28,346	31,673	22,684	8,989
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,245	2,350	2,181	169	—	—	—	—
1,339	1,339	1,120	219	—	—	—	—
17,199	21,268	1,077	20,191	—	—	—	—
—	—	—	—	—	—	—	—
<b>\$ 6,321,572</b>	<b>\$ 6,673,584</b>	<b>6,226,017</b>	<b>\$ 447,567</b>	<b>\$ 2,245,196</b>	<b>\$ 2,430,359</b>	<b>2,249,831</b>	<b>\$ 180,528</b>
		<b>(2,394,384)</b>				<b>(649,008)</b>	
		136,293				662,086	
		(129,012)				(16,801)	
		<b>7,281</b>				<b>645,285</b>	
		<b>(2,387,103)</b>				<b>(3,723)</b>	
		(1,442,146)				(4,004)	
		1,655,834				60,849	
		<b>\$ (2,173,415)</b>				<b>\$ 53,122</b>	

(continued)

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

HIGHWAY OPERATING				
	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Income Taxes .....			\$ —	
Sales Taxes .....			—	
Corporate and Public Utility Taxes .....			—	
Motor Vehicle Fuel Taxes .....			589,076	
Cigarette Taxes.....			—	
Other Taxes .....			—	
Licenses, Permits and Fees .....			69,198	
Sales, Services and Charges .....			2,634	
Federal Government .....			1,073,936	
Investment Income .....			11,125	
Other .....			75,924	
<b>TOTAL REVENUES.....</b>			<b>1,821,893</b>	
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	\$ —	\$ —	—	\$ —
Higher Education Support .....	—	—	—	—
Public Assistance and Medicaid .....	—	—	—	—
Health and Human Services .....	—	—	—	—
Justice and Public Protection .....	—	—	—	—
Environmental Protection and Natural Resources .....	—	—	—	—
Transportation .....	3,604,512	4,708,622	3,811,919	896,703
General Government .....	—	—	—	—
Community and Economic Development .....	—	—	—	—
<b>CAPITAL OUTLAY .....</b>	—	—	—	—
<b>DEBT SERVICE.....</b>	92,092	80,674	79,986	688
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 3,696,604</b>	<b>\$ 4,789,296</b>	<b>3,891,905</b>	<b>\$ 897,391</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>				<b>(2,070,012)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-in .....			518,557	
Transfers-out .....			(203,680)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>			<b>314,877</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>				<b>(1,755,135)</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>				<b>(821,578)</b>
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>				<b>1,480,923</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>				<b>\$ (1,095,790)</b>

The notes to the financial statements are an integral part of this statement.



**REVENUE DISTRIBUTION**

<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>ORIGINAL</b>	<b>FINAL</b>		
		\$ 829,300	
		301,264	
		357,417	
		1,130,850	
		—	
		13,623	
		489,917	
		—	
		—	
		975	
		87	
		<b>3,123,433</b>	
\$ 115,912	\$ 116,648	116,521	\$ 127
—	—	—	—
—	—	—	—
1,850	1,850	1,545	305
546,875	546,875	477,102	69,773
—	—	—	—
—	—	—	—
—	—	—	—
1,718,051	1,884,314	1,817,659	66,655
—	—	—	—
—	—	—	—
<b>\$ 2,382,688</b>	<b>\$ 2,549,687</b>	<b>2,412,827</b>	<b>\$ 136,860</b>
		<b>710,606</b>	
		100,318	
		(807,833)	
		<b>(707,515)</b>	
		<b>3,091</b>	
		347,747	
		—	
		<b>\$ 350,838</b>	

**STATE OF OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**JUNE 30, 2005**  
(dollars in thousands)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION (Unaudited)</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 6,804	\$ 48,807	\$ —
Cash and Cash Equivalents.....	1,275,837	11,921	1,912
Investments.....	—	—	15,500
Collateral on Lent Securities.....	1,727,955	28,960	404
Restricted Assets:			
Cash Equity with Treasurer.....	—	62,752	—
Investments.....	—	82,875	—
Collateral on Lent Securities.....	—	439,250	—
Other Receivables.....	—	2,775	—
Deposit with Federal Government.....	—	—	612,728
Intergovernmental Receivable.....	—	—	3,315
Premiums and Assessments Receivable.....	1,049,059	—	12,575
Investment Trade Receivable.....	770,993	—	—
Interfund Receivable.....	67,170	—	—
Other Receivables.....	244,015	34,958	9,791
Inventories.....	—	—	—
Other Assets.....	2,142	3,619	7,202
<b>TOTAL CURRENT ASSETS.....</b>	<b>5,143,975</b>	<b>715,917</b>	<b>663,427</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	1,675	—	—
Investments.....	—	797,630	—
Investments.....	15,471,879	—	—
Premiums and Assessments Receivable.....	501,139	—	10,256
Interfund Receivable.....	722,380	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	116,075	16,335	—
Capital Assets Not Being Depreciated.....	11,994	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>16,825,142</b>	<b>813,965</b>	<b>10,256</b>
<b>TOTAL ASSETS.....</b>	<b>21,969,117</b>	<b>1,529,882</b>	<b>673,683</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	10,688	8,388	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	1,727,955	468,210	404
Investment Trade Payable.....	1,933,453	—	—
Intergovernmental Payable.....	—	—	47
Deferred Prize Awards Payable.....	—	148,402	—
Interfund Payable.....	—	495	—
Unearned Revenue.....	17,181	1,710	—
Benefits Payable.....	1,746,891	—	755
Refund and Other Liabilities.....	520,727	50,159	8,556
Bonds and Notes Payable.....	13,190	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>5,970,085</b>	<b>677,364</b>	<b>9,762</b>
<b>NONCURRENT LIABILITIES:</b>			
Deferred Prize Awards Payable.....	—	695,016	—
Interfund Payable.....	—	2,979	—
Unearned Revenue.....	372,151	—	—
Benefits Payable.....	13,369,123	—	—
Refund and Other Liabilities.....	1,407,044	2,471	—
Bonds and Notes Payable.....	129,012	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>15,277,330</b>	<b>700,466</b>	<b>—</b>
<b>TOTAL LIABILITIES.....</b>	<b>21,247,415</b>	<b>1,377,830</b>	<b>9,762</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	(13,143)	739	—
Restricted for Deferred Lottery Prizes.....	—	102,614	—
Unrestricted (Deficits).....	734,845	48,699	663,921
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ 721,702</b>	<b>\$ 152,052</b>	<b>\$ 663,921</b>

The notes to the financial statements are an integral part of this statement.  
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<b>NONMAJOR PROPRIETARY FUNDS</b>		<b>TOTAL</b>	
\$	24,660	\$	80,271
	7,798		1,297,468
	—		15,500
	10,278		1,767,597
	—		62,752
	93,418		176,293
	—		439,250
	—		2,775
	—		612,728
	30		3,345
	—		1,061,634
	—		770,993
	2,996		70,166
	14,238		303,002
	35,071		35,071
	968		13,931
	<b>189,457</b>		<b>6,712,776</b>
	—		1,675
	721,584		1,519,214
	74,272		15,546,151
	—		511,395
	8,989		731,369
	8,995		8,995
	22		22
	10,700		143,110
	71		12,065
	<b>824,633</b>		<b>18,473,996</b>
	<b>1,014,090</b>		<b>25,186,772</b>
	31,760		50,836
	4,577		4,577
	10,278		2,206,847
	—		1,933,453
	414		461
	—		148,402
	2,950		3,445
	10		18,901
	67,300		1,814,946
	5,087		584,529
	2,047		15,237
	<b>124,423</b>		<b>6,781,634</b>
	—		695,016
	2,637		5,616
	—		372,151
	1,039,500		14,408,623
	18,242		1,427,757
	6,814		135,826
	<b>1,067,193</b>		<b>17,044,989</b>
	<b>1,191,616</b>		<b>23,826,623</b>
	10,565		(1,839)
	—		102,614
	(188,091)		1,259,374
<b>\$</b>	<b>(177,526)</b>	<b>\$</b>	<b>1,360,149</b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION (Unaudited)	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ —	\$ 2,159,129	\$ 13,552
Premium and Assessment Income.....	2,126,503	—	994,558
Federal Government.....	—	—	21,349
Investment Income.....	—	—	33,613
Other.....	11,987	5,728	15,370
<b>TOTAL OPERATING REVENUES.....</b>	<b>2,138,490</b>	<b>2,164,857</b>	<b>1,078,442</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	—	—	—
Administration.....	67,759	82,502	—
Premium Dividend Reductions and Refunds.....	232,836	—	—
Bonuses and Commissions.....	—	133,841	—
Prizes.....	—	1,280,787	—
Benefits and Claims.....	2,947,286	—	1,185,295
Depreciation.....	3,472	14,646	—
Other.....	11,765	26	8,745
<b>TOTAL OPERATING EXPENSES.....</b>	<b>3,263,118</b>	<b>1,511,802</b>	<b>1,194,040</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,124,628)</b>	<b>653,055</b>	<b>(115,598)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income (Loss).....	988,440	90,493	493
Interest Expense.....	—	(13,834)	—
Federal Grants.....	—	—	—
Other.....	4,688	(55,464)	1,140
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>993,128</b>	<b>21,195</b>	<b>1,633</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(131,500)</b>	<b>674,250</b>	<b>(113,965)</b>
<b>TRANSFERS:</b>			
Transfers-in.....	—	—	4,639
Transfers-out.....	(7,568)	(645,673)	(35,790)
<b>TOTAL TRANSFERS.....</b>	<b>(7,568)</b>	<b>(645,673)</b>	<b>(31,151)</b>
<b>NET INCOME (LOSS).....</b>	<b>(139,068)</b>	<b>28,577</b>	<b>(145,116)</b>
<b>NET ASSETS (DEFICITS), JULY 1 .....</b>	<b>860,770</b>	<b>123,475</b>	<b>809,037</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ 721,702</b>	<b>\$ 152,052</b>	<b>\$ 663,921</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR PROPRIETARY FUNDS</b>	<b>TOTAL</b>
\$ 630,019	\$ 2,802,700
—	3,121,061
—	21,349
70,116	103,729
3,608	36,693
<b>703,743</b>	<b>6,085,532</b>
431,076	431,076
76,591	226,852
—	232,836
—	133,841
—	1,280,787
21,634	4,154,215
2,554	20,672
2,287	22,823
<b>534,142</b>	<b>6,503,102</b>
<b>169,601</b>	<b>(417,570)</b>
441	1,079,867
(779)	(14,613)
79	79
9	(49,627)
<b>(250)</b>	<b>1,015,706</b>
<b>169,351</b>	<b>598,136</b>
55,247	59,886
(178,508)	(867,539)
<b>(123,261)</b>	<b>(807,653)</b>
<b>46,090</b>	<b>(209,517)</b>
(223,616)	1,569,666
<b>\$ (177,526)</b>	<b>\$ 1,360,149</b>

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION (Unaudited)</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ —	\$ 2,161,101	\$ 36,057
Cash Received from Premiums and Assessments.....	1,827,086	—	992,331
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	87,897	—
Cash Received from Interfund Services Provided.....	52,848	506	—
Cash Received from the Federal Government for Extended Benefits.....	—	—	329
Other Operating Cash Receipts.....	20,219	5,221	7,640
Cash Payments to Suppliers for Goods and Services.....	(61,984)	(56,413)	—
Cash Payments to Employees for Services.....	(236,290)	(22,571)	—
Cash Payments for Benefits and Claims.....	(2,149,666)	—	(1,186,815)
Cash Payments for Lottery Prizes.....	—	(1,436,009)	—
Cash Payments for Bonuses and Commissions.....	—	(133,934)	—
Cash Payments for Premium Reductions and Refunds.....	(84,847)	—	—
Cash Payments for Interfund Services Used.....	(13,944)	(2,634)	—
Other Operating Cash Payments.....	—	(26)	(10,566)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>(646,578)</b>	<b>603,138</b>	<b>(161,024)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	—	—	4,639
Transfers-out .....	(7,568)	(645,673)	(35,790)
Federal Grants.....	—	—	—
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(7,568)</b>	<b>(645,673)</b>	<b>(31,151)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds and Capital Leases.....	(5,300)	(14,690)	—
Interest Paid .....	(6,578)	(1,418)	—
Acquisition and Construction of Capital Assets .....	(3,955)	(497)	—
Principal Receipts on Capital Leases Receivable.....	—	—	—
Proceeds from Sales of Capital Assets .....	19,144	59	1,140
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>3,311</b>	<b>(16,546)</b>	<b>1,140</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(34,843,384)	(2,874,007)	(9,181,729)
Proceeds from the Sales and Maturities of Investments .....	34,657,155	2,995,973	9,299,644
Investment Income Received .....	590,785	25,128	—
Borrower Rebates and Agent Fees.....	(89,080)	(12,530)	—
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>315,476</b>	<b>134,564</b>	<b>117,915</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(335,359)</b>	<b>75,483</b>	<b>(73,120)</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1.....</b>	<b>1,619,675</b>	<b>47,997</b>	<b>75,032</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 1,284,316</b>	<b>\$ 123,480</b>	<b>\$ 1,912</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR PROPRIETARY FUNDS</b>	<b>TOTAL</b>
\$ 615,788	\$ 2,812,946
—	2,819,417
—	87,897
9,528	62,882
—	329
20,506	53,586
(412,061)	(530,458)
(88,428)	(347,289)
—	(3,336,481)
—	(1,436,009)
—	(133,934)
—	(84,847)
(2,057)	(18,635)
(67,669)	(78,261)
<b>75,607</b>	<b>(128,857)</b>
52,394	57,033
(178,508)	(867,539)
49	49
<b>(126,065)</b>	<b>(810,457)</b>
(1,736)	(21,726)
(421)	(8,417)
(1,017)	(5,469)
1,691	1,691
66	20,409
<b>(1,417)</b>	<b>(13,512)</b>
(329,324)	(47,228,444)
362,570	47,315,342
25,101	641,014
—	(101,610)
<b>58,347</b>	<b>626,302</b>
6,472	(326,524)
25,986	1,768,690
<b>\$ 32,458</b>	<b>\$ 1,442,166</b>
	(continued)

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

(dollars in thousands)

(continued)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION (Unaudited)</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ (1,124,628)	\$ 653,055	\$ (115,598)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	(33,613)
Depreciation .....	3,472	14,646	—
Provision for Uncollectible Accounts.....	68,070	—	—
Amortization of Premiums and Discounts.....	(888)	—	—
Interest on Bonds, Notes and Capital Leases.....	6,578	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	—	—	1,485
Premiums and Assessments Receivable.....	(151,066)	—	(11,304)
Interfund Receivable.....	13,302	—	—
Other Receivables .....	(75,595)	3,075	656
Inventories .....	—	—	—
Other Assets .....	517	363	(475)
Increase (Decrease) in Liabilities:			
Accounts Payable .....	2,874	1,666	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	(390)
Deferred Prize Awards Payable.....	—	(68,836)	—
Interfund Payable.....	—	(976)	—
Unearned Revenue .....	(4,987)	(1,103)	—
Benefits Payable.....	496,141	—	(1,535)
Refund and Other Liabilities.....	119,632	1,248	(250)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ (646,578)</b>	<b>\$ 603,138</b>	<b>\$ (161,024)</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in Fair Value of Investments.....	\$ 501,672	\$ 22,798	\$ —
Contributions of Capital Assets from Other Funds.....	—	—	—
Capital Assets Acquired under Capital Leases.....	—	—	—

The notes to the financial statements are an integral part of this statement.



<b>NONMAJOR PROPRIETARY FUNDS</b>		<b>TOTAL</b>	
\$	169,601	\$	(417,570)
	(70,116)		(103,729)
	2,554		20,672
	26		68,096
	1,084		196
	—		6,578
	—		1,485
	—		(162,370)
	2		13,304
	2,825		(69,039)
	(1,767)		(1,767)
	266		671
	6,178		10,718
	278		278
	14		(376)
	—		(68,836)
	301		(675)
	—		(6,090)
	(34,900)		459,706
	(739)		119,891
<b>\$</b>	<b>75,607</b>	<b>\$</b>	<b>(128,857)</b>

\$	7,861	\$	532,331
	1,039		1,039
	168		168

**STATE OF OHIO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**  
*(dollars in thousands)*

	<b>PENSION TRUST</b>	<b>PRIVATE- PURPOSE TRUST</b>	<b>INVESTMENT TRUST</b>
	<b>STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/04)</b>	<b>VARIABLE COLLEGE SAVINGS PLAN</b>	<b>STAR OHIO</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	10,837	295,867	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	57,553	—	2,506,495
Common and Preferred Stock.....	373,351	—	—
Corporate Bonds and Notes.....	28,945	—	—
Foreign Stocks and Bonds.....	101,343	—	—
Commercial Paper.....	—	—	572,090
Repurchase Agreements.....	—	—	11,892
Mutual Funds.....	35,219	3,435,568	—
Real Estate.....	53,090	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	21,673	—	—
Investment Contracts.....	—	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	207,010	—	80,448
Employer Contributions Receivable.....	776	—	—
Employee Contributions Receivable.....	936	—	—
Investment Trade Receivable.....	—	3,581	—
Other Receivables.....	2,865	—	330
Other Assets.....	6	—	—
Capital Assets, Net.....	31	—	—
<b>TOTAL ASSETS.....</b>	<b>893,635</b>	<b>3,735,016</b>	<b>3,171,255</b>
<b>LIABILITIES:</b>			
Accounts Payable.....	1,168	—	—
Accrued Liabilities.....	841	5,509	—
Obligations Under Securities Lending.....	207,010	—	80,448
Investment Trade Payable.....	—	4,975	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	47	—	2,990
<b>TOTAL LIABILITIES.....</b>	<b>209,066</b>	<b>10,484</b>	<b>83,438</b>
<b>NET ASSETS:</b>			
Held in Trust for:			
Employees' Pension Benefits.....	587,932	—	—
Employees' Postemployment Healthcare Benefits.....	96,637	—	—
Individuals, Organizations and Other Governments.....	—	3,724,532	—
Pool Participants.....	—	—	3,087,817
<b>TOTAL NET ASSETS.....</b>	<b>\$ 684,569</b>	<b>\$ 3,724,532</b>	<b>\$ 3,087,817</b>

The notes to the financial statements are an integral part of this statement.

**AGENCY**

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\$ 221,427  
105,088

9,042,537  
62,296,101  
10,546,280  
30,920,809  
3,082,560  
98,790  
5,805,202  
10,042,297  
2,270,024  
9,884,955  
6,018  
28,720  
142,489

—  
—  
—  
9,187  
434,194  
—

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**144,936,678**

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—  
—  
142,489

—  
86,670  
144,707,519

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**144,936,678**

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**\$ —**

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# STATE OF OHIO

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/04)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
<b>ADDITIONS:</b>			
Contributions from:			
Employer.....	\$ 20,073	\$ —	\$ —
Employees.....	8,193	—	—
Plan Participants.....	—	857,839	—
Other.....	856	—	—
Total Contributions.....	29,122	857,839	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	61,335	203,393	—
Interest, Dividends and Other.....	19,323	62,516	75,875
Total Investment Income.....	80,658	265,909	75,875
Less: Investment Expense.....	5,699	26,561	3,756
Net Investment Income.....	74,959	239,348	72,119
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	13,837,751
Reinvested Distributions.....	—	—	72,119
Shares Redeemed.....	—	—	(14,812,225)
Net Capital Share and Individual Account Transactions.....	—	—	(902,355)
<b>TOTAL ADDITIONS.....</b>	<b>104,081</b>	<b>1,097,187</b>	<b>(830,236)</b>
<b>DEDUCTIONS:</b>			
Pension Benefits Paid to Participants or Beneficiaries.....	35,187	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	6,949	—	—
Refunds of Employee Contributions.....	156	—	—
Administrative Expense.....	605	—	—
Transfers to Other Retirement Systems.....	602	—	—
Distributions to Shareholders and Plan Participants.....	—	429,493	72,119
<b>TOTAL DEDUCTIONS.....</b>	<b>43,499</b>	<b>429,493</b>	<b>72,119</b>
<b>CHANGE IN NET ASSETS HELD FOR:</b>			
Employees' Pension Benefits.....	52,697	—	—
Employees' Postemployment Healthcare Benefits.....	7,885	—	—
Individuals, Organizations and Other Governments.....	—	667,694	—
Pool Participants.....	—	—	(902,355)
<b>TOTAL CHANGE IN NET ASSETS.....</b>	<b>60,582</b>	<b>667,694</b>	<b>(902,355)</b>
<b>NET ASSETS, JULY 1.....</b>	<b>623,987</b>	<b>3,056,838</b>	<b>3,990,172</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 684,569</b>	<b>\$ 3,724,532</b>	<b>\$ 3,087,817</b>

The notes to the financial statements are an integral part of this statement.

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>SCHOOL FACILITIES COMMISSION</b>	<b>OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/04)</b>	<b>OHIO STATE UNIVERSITY</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 384,443	\$ —	\$ —
Cash and Cash Equivalents.....	—	22,860	74,872
Investments.....	—	78,215	508,933
Collateral on Lent Securities.....	228,112	—	—
Intergovernmental Receivable.....	621	683	2,540
Loans Receivable, Net.....	54	1,452	9,108
Receivable from Primary Government.....	—	—	19,272
Other Receivables.....	—	13	387,451
Inventories.....	—	—	20,898
Other Assets.....	16	—	31,501
<b>TOTAL CURRENT ASSETS.....</b>	<b>613,246</b>	<b>103,223</b>	<b>1,054,575</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	—	442,439	50,203
Investments.....	—	1,036,644	—
Loans Receivable, Net.....	—	2,909,515	—
Investments.....	—	14,434	1,721,226
Loans Receivable, Net.....	262	17,402	62,946
Other Receivables.....	—	4,449	22,482
Other Assets.....	—	31,710	—
Capital Assets Being Depreciated, Net.....	49	1,683	2,054,007
Capital Assets Not Being Depreciated.....	—	539	414,769
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>311</b>	<b>4,458,815</b>	<b>4,325,633</b>
<b>TOTAL ASSETS.....</b>	<b>613,557</b>	<b>4,562,038</b>	<b>5,380,208</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	8,853	37,756	137,049
Accrued Liabilities.....	210	8,867	231,078
Obligations Under Securities Lending.....	228,112	—	—
Intergovernmental Payable.....	784,640	533	—
Unearned Revenue.....	—	—	96,670
Refund and Other Liabilities.....	245	20	74,380
Bonds and Notes Payable.....	—	111,554	473,739
Certificates of Participation.....	—	—	355
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>1,022,060</b>	<b>158,730</b>	<b>1,013,271</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	1,556,787	—	—
Unearned Revenue.....	—	—	4,000
Refund and Other Liabilities.....	462	141	195,868
Bonds and Notes Payable.....	—	2,132,395	382,163
Certificates of Participation.....	—	—	5,825
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>1,557,249</b>	<b>2,132,536</b>	<b>587,856</b>
<b>TOTAL LIABILITIES.....</b>	<b>2,579,309</b>	<b>2,291,266</b>	<b>1,601,127</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	49	2,222	1,590,235
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Debt Service.....	—	2,124,820	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	1,050,685
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	41,033
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	16,708
Endowments and Quasi-Endowments.....	—	—	139,399
Current Operations.....	—	—	265,434
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted (Deficits).....	(1,965,801)	143,730	675,587
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ (1,965,752)</b>	<b>\$ 2,270,772</b>	<b>\$ 3,779,081</b>

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 30,614	\$ 415,057
80,446	511,956	690,134
43,586	919,406	1,550,140
—	9,004	237,116
—	37,610	41,454
3,224	27,637	41,475
889	27,043	47,204
81,549	251,469	720,482
4,294	27,328	52,520
15,788	46,110	93,415
<b>229,776</b>	<b>1,888,177</b>	<b>3,888,997</b>
—	57,144	549,786
—	585,135	1,621,779
—	—	2,909,515
1,106,320	1,036,581	3,878,561
30,295	97,964	208,869
33,740	95,076	155,747
274,629	29,897	336,236
1,009,438	3,424,397	6,489,574
321,399	629,929	1,366,636
<b>2,775,821</b>	<b>5,956,123</b>	<b>17,516,703</b>
<b>3,005,597</b>	<b>7,844,300</b>	<b>21,405,700</b>
42,649	141,526	367,833
72,034	161,012	473,201
—	9,004	237,116
—	7	785,180
19,644	188,272	304,586
41,286	96,112	212,043
44,951	68,934	699,178
30	140	525
<b>220,594</b>	<b>665,007</b>	<b>3,079,662</b>
—	9,051	1,565,838
—	5,709	9,709
186,607	183,859	566,937
705,054	1,470,229	4,689,841
240	21,860	27,925
<b>891,901</b>	<b>1,690,708</b>	<b>6,860,250</b>
<b>1,112,495</b>	<b>2,355,715</b>	<b>9,939,912</b>
541,870	2,864,273	4,998,649
—	19	19
—	13,079	13,079
—	—	2,124,820
119,456	98,022	217,478
78,434	4,563	82,997
570,776	495,999	2,117,460
257,050	79,947	336,997
39,139	115,228	154,367
106,700	16,498	123,198
33,308	101,784	135,092
23,967	8,506	73,506
32,378	85,157	117,535
65	4,341	4,406
62,293	70,041	149,042
133,567	48,187	321,153
7,498	110,923	383,855
662	184,714	185,376
(114,061)	1,187,304	(73,241)
<b>\$ 1,893,102</b>	<b>\$ 5,488,585</b>	<b>\$ 11,465,788</b>

**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>SCHOOL FACILITIES COMMISSION</b>	<b>OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/04)</b>	<b>OHIO STATE UNIVERSITY</b>
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ 875,502	\$ —	\$ —
Community and Economic Development.....	—	—	—
Cost of Services.....	—	103,066	—
Administration.....	—	10,288	—
Education and General:			
Instruction and Departmental Research.....	—	—	617,890
Separately Budgeted Research.....	—	—	333,554
Public Service.....	—	—	95,737
Academic Support.....	—	—	108,489
Student Services.....	—	—	70,020
Institutional Support.....	—	—	93,472
Operation and Maintenance of Plant.....	—	—	84,288
Scholarships and Fellowships.....	—	—	54,448
Auxiliary Enterprises.....	—	—	174,206
Hospitals.....	—	—	1,240,767
Interest on Long-Term Debt.....	—	—	29,168
Depreciation.....	24	234	145,976
Other.....	—	4,569	1,660
<b>TOTAL EXPENSES.....</b>	<b>875,526</b>	<b>118,157</b>	<b>3,049,675</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	1,167	129,865	2,049,465
Operating Grants, Contributions and Restricted Investment Income.....	6,150	141,288	600,152
Capital Grants, Contributions and Restricted Investment Income.....	—	—	16,638
<b>TOTAL PROGRAM REVENUES.....</b>	<b>7,317</b>	<b>271,153</b>	<b>2,666,255</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(868,209)</b>	<b>152,996</b>	<b>(383,420)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	1,406	154,289
State Assistance.....	525,738	—	525,804
Other.....	—	—	933
<b>TOTAL GENERAL REVENUES.....</b>	<b>525,738</b>	<b>1,406</b>	<b>681,026</b>
<b>CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>—</b>	<b>54,723</b>
<b>SPECIAL ITEMS.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(342,471)</b>	<b>154,402</b>	<b>352,329</b>
<b>NET ASSETS (DEFICITS), JULY 1 (as restated).....</b>	<b>(1,623,281)</b>	<b>2,116,370</b>	<b>3,426,752</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ (1,965,752)</b>	<b>\$ 2,270,772</b>	<b>\$ 3,779,081</b>

The notes to the financial statements are an integral part of this statement.



<b>UNIVERSITY OF CINCINNATI</b>	<b>NONMAJOR COMPONENT UNITS</b>	<b>TOTAL</b>
\$ —	\$ 31,161	\$ 906,663
—	24,659	24,659
—	—	103,066
—	—	10,288
264,736	1,311,681	2,194,307
143,848	160,634	638,036
52,656	127,793	276,186
63,165	343,667	515,321
36,577	198,963	305,560
66,759	370,250	530,481
56,156	244,163	384,607
20,114	151,012	225,574
83,167	534,509	791,882
—	180,746	1,421,513
25,115	52,212	106,495
72,003	224,721	442,958
16,907	24,316	47,452
<b>901,203</b>	<b>3,980,487</b>	<b>8,925,048</b>
352,666	2,407,238	4,940,401
360,632	562,991	1,671,213
12,026	44,239	72,903
<b>725,324</b>	<b>3,014,468</b>	<b>6,684,517</b>
<b>(175,879)</b>	<b>(966,019)</b>	<b>(2,240,531)</b>
—	114,413	270,108
223,031	1,188,251	2,462,824
3,639	37,092	41,664
<b>226,670</b>	<b>1,339,756</b>	<b>2,774,596</b>
<b>15,203</b>	<b>21,694</b>	<b>91,620</b>
—	<b>(1,357)</b>	<b>(1,357)</b>
<b>65,994</b>	<b>394,074</b>	<b>624,328</b>
1,827,108	5,094,511	10,841,460
<b>\$ 1,893,102</b>	<b>\$ 5,488,585</b>	<b>\$ 11,465,788</b>



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Ohio, as of June 30, 2005, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

**A. Financial Reporting Entity**

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

**1. Blended Component Units**

The Ohio Building Authority and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

**2. Discretely Presented Component Units**

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column la-

beled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets.

School Facilities Commission  
Cultural Facilities Commission  
SchoolNet Commission  
Ohio Air Quality Development Authority

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio Water Development Authority  
Ohio State University  
University of Cincinnati  
Ohio University  
Miami University  
University of Akron  
Bowling Green State University  
Kent State University  
University of Toledo  
Cleveland State University  
Youngstown State University  
Wright State University  
Shawnee State University  
Central State University  
Medical University of Ohio  
Terra State Community College  
Columbus State Community College  
Clark State Community College  
Edison State Community College  
Southern State Community College  
Washington State Community College  
Cincinnati State Community College  
Northwest State Community College  
Owens State Community College

The School Facilities Commission, Cultural Facilities Commission, and SchoolNet Commission, which are governmental component units that use special revenue fund reporting, do not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Joint Ventures and Related Organizations**

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14.

**B. Basis of Presentation**

*Government-wide Statements* — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* section is displayed in three components:

- The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net assets component.
- The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and

nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.

- The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

*Fund Financial Statements* — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these sources provide significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, premium dividend reductions and refunds, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under "Other" nonoperating expenses.

The State reports the following major governmental funds:

*General* — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

*Job, Family and Other Human Services Special Revenue Fund* — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

*Education Special Revenue Fund* — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

*Highway Operating Special Revenue Fund* — This fund accounts for programs administered by the De-

partment of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

*Revenue Distribution Special Revenue Fund* — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and other revenues levied, collected, and designated by the State for these purposes.

The State reports the following major proprietary funds:

*Workers' Compensation Enterprise Fund* — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission, which provide workers' compensation insurance services. The financial statements presented for this enterprise fund are unaudited. The Bureau's audit was commenced but not completed by the Bureau's independent auditing firm.

*Lottery Commission Enterprise Fund* — This fund accounts for the State's lottery operations.

*Unemployment Compensation Enterprise Fund* — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

*Pension Trust Fund* — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2004.

*Private-Purpose Trust Fund* — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

*Investment Trust Fund* — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

*Agency Funds* — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The State reports the following major component unit funds:

The *School Facilities Commission* accounts for grants that provide assistance to local school districts for the construction of school buildings.

The *Ohio Water Development Authority*, *Ohio State University*, and *University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2004. The Ohio State University Fund accounts for the university's operations, including its health system, super-computer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

**C. Measurement Focus and Basis of Accounting**  
*Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements* — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes de-

rived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

*Governmental Fund Financial Statements* — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

revenue recognition when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of the exchange.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Investment income includes the net increase (decrease) in the fair value of investments.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

**D. Budgetary Process**

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Gover-

nor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation
- General Obligations
- Economic Development Revenue Bonds
- Infrastructure Bank Revenue Bonds
- Revitalization Project Revenue Bonds
- Higher Education Facilities Special Obligations
- Mental Health Facilities Special Obligations
- Parks and Recreation Facilities Special Obligations
- School Building Program Special Obligations
- Ohio Building Authority Special Obligations
- Transportation Certificates of Participation
- OAKS Certificates of Participation
- OAKS Project

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report*, which is available for public inspection at the Ohio Office of Budget and Management and its web site, [www.obm.ohio.gov](http://www.obm.ohio.gov), provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

**E. Cash Equity with Treasurer and Cash and Cash Equivalents**

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

**F. Investments**

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value).

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

**G. Taxes Receivable**

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred revenue. Additional disclosures on taxes receivable can be found in NOTE 5A.

**H. Intergovernmental Receivable**

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5B.

**I. Inventories**

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

**J. Restricted Assets**

The primary government reports assets restricted for the payment of deferred lottery prize awards, revenue bonds, and tuition benefits in the enterprise funds.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

**K. Capital Assets**

*Primary Government*

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintain-

ing is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- the collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- the collection is protected, kept unencumbered, cared for, and preserved.
- the collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings .....	\$ 15,000
Building Improvements .....	100,000
Land .....	All, regardless of cost
Land Improvements .....	15,000
Machinery and Equipment .....	15,000
Vehicles .....	15,000
Infrastructure:	
Highway Network .....	500,000
Bridge Network .....	500,000
Park and Natural	
Resources Network .....	All, regardless of cost

For depreciable capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings .....	20-45 years
Land Improvements .....	10-25 years
Machinery and Equipment .....	2-15 years
Vehicles .....	5-15 years
Park and Natural Resources	
Infrastructure Network .....	10-50 years





**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

NOTE 8 contains additional disclosures about the primary government's capital assets.

*Discretely Presented Component Unit Funds*

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. Capital assets are depreciated using the straight-line method. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

**L. Medicaid Claims Payable**

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

**M. Noncurrent Liabilities**

*Government-wide Financial Statements* — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

*Fund Financial Statements* — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

**N. Compensated Absences**

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the compensated absences liability as a fund liability

(included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

**O. Fund Balance**

Fund balance reported in the governmental fund financial statements is classified as follows:

*Reserved*

Reservations represent balances that are not appropriate or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

*Unreserved/Designated*

Designations represent balances available for tentative management plans that are subject to change



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Unreserved/Undesignated*

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

**P. Risk Management**

The State's primary government is self-insured for claims under its traditional healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds under the "Interfund Payable" account. (See NOTE 7).

**Q. Interfund Balances and Activities**

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

*Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. This activity includes:

*Interfund Loans* — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

*Interfund Services Provided and Used* — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

*Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. This activity includes:

*Interfund Transfers* — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

*Interfund Reimbursements* — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

**R. Intra-Entity Balances and Activities**

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

**S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**

**A. Restatements**

Restatements of net assets/fund balances, as of June 30, 2004, for the primary government and component units that resulted from prior period adjustments for corrections of errors, from changes in accounting principle, and from changes in the reporting entity are presented in the following table (dollars in thousands).

**Government-wide Financial Statements:**

	Governmental Activities
Net Assets, as of June 30, 2004, As Previously Reported .....	\$17,323,935
<i>Prior Period Adjustments that Increased/(Decreased) Net Assets:</i>	
Intergovernmental Receivable .....	152,953
Loans Receivable .....	380
Capital Assets Being Depreciated, Net .....	36,665
Capital Assets Not Being Depreciated .....	36,516
Intergovernmental Payable .....	(51,839)
Net Assets, July 1, 2004, As Restated .....	<u>\$17,498,610</u>

**Governmental Fund Financial Statements:**

	General	Job, Family and Other Human Services	Other Major Governmental Funds	Nonmajor Governmental Funds	Total
Fund Balance, as of June 30, 2004, As Previously Reported .....	\$ 735,836	\$ (76,455)	\$767,331	\$2,805,192	\$4,231,904
<i>Prior Period Adjustments that Increased/(Decreased) Fund Balance:</i>					
Intergovernmental Receivable .....	152,953	—	—	—	152,953
Loans Receivable .....	—	—	—	3,380	3,380
Intergovernmental Payable .....	—	(51,839)	—	—	(51,839)
Deferred Revenue .....	(122,218)	—	—	—	(122,218)
Fund Balance, July 1, 2004, As Restated .....	<u>\$ 766,571</u>	<u>\$(128,294)</u>	<u>\$767,331</u>	<u>\$2,808,572</u>	<u>\$4,214,180</u>

**Discretely Presented Component Unit Funds:**

	Major Component Unit Funds	Nonmajor Component Unit Funds	Total
Net Assets, as of June 30, 2004, As Previously Reported .....	\$5,745,221	\$5,106,134	\$10,851,355
<i>Prior Period Adjustments that Increased/(Decreased) Net Assets:</i>			
Cash and Cash Equivalents-Central State University .....	—	(2,000)	
Restricted Cash and Cash Equivalents-Central State University .....	—	2,970	
Loans Receivable-Central State University .....	—	(4,059)	
Other Receivables-Ohio Air Quality Development Authority .....	—	43	
Other Receivables-Central State University .....	—	4,364	
Other Receivables-Northwest State Community College .....	—	35	
Other Assets-Central State University .....	—	4	
Capital Assets Being Depreciated, Net-Central State University .....	—	8,773	
Capital Assets Not Being Depreciated-Central State University .....	—	8,482	
Accounts Payable-Central State University .....	—	205	
Accrued Liabilities-Central State University .....	—	1,577	
Intergovernmental Payable-School Facilities Commission .....	1,728	—	
Unearned Revenue-Central State University .....	—	(331)	
Refund and Other Liabilities-Central State University .....	—	(748)	
Bonds Payable-Central State University .....	—	(20,511)	
Total Corrections, Net .....	<u>1,728</u>	<u>(1,196)</u>	<u>532</u>
<i>Change in Accounting Principle:</i>			
Capital Assets-University of Akron .....	—	(11,833)	(11,833)
<i>Change in Reporting Entity:</i>			
Net Assets of Medical Faculty, Inc-Component Unit of Medical University of Ohio ....	—	3,963	
Net Assets of Medical Center, Inc-Component Unit of Ohio University .....	—	(2,557)	
Total Change in Reporting Entity, Net .....	<u>—</u>	<u>1,406</u>	<u>1,406</u>
Net Assets, July 1, 2004, As Restated .....	<u>\$5,746,949</u>	<u>\$5,094,511</u>	<u>\$10,841,460</u>



**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**  
**(Continued)**

**B. Implementation of Recently Issued Accounting Pronouncements**

For the fiscal year ended June 30, 2005, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*,
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, and
- GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit [OPEB] Expenditures/Expense and Liabilities by Cost-Sharing Employers* (only those provisions applicable to pension transactions were implemented).

GASB 40 establishes accounting and financial reporting standards for disclosure of common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

GASB 44 amends portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section.

GASB Technical Bulletin No. 2004-2 clarifies the application of requirements regarding accounting for employers' contractually required contributions to cost-sharing pension and OPEB plans issued in GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, respectively. This Technical Bulletin's provisions became effective for financial statements for periods ending after December 15, 2004, with respect to pension transactions, and are to be applied simultaneously with the implementation of GASB 45 with respect to OPEB transactions. GASB 45 provisions are further explained in the next section on recently issued GASB pronouncements.

**C. Recently Issued GASB Pronouncements**

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. This State-

ment's provisions are effective for financial statements for periods beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and supersedes guidance included in GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties that administer them. The requirements of this Statement are effective *one year prior* to the effective date of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the employer (single-employer plan) or for the largest participating employer in the plan (multiple-employer plan). The effective dates by which governments are to implement the provisions of GASB 45 are discussed below.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more in the first fiscal year ending after June 15, 1999); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million in the first fiscal year ending after June 15, 1999); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million in the first fiscal year ending after June 15, 1999).

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. This Statement's provisions are



**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**  
**(Continued)**

effective for financial statements for periods beginning after June 15, 2005.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner. In general, GASB 47 is effective for financial statements for pe-

riods beginning after June 15, 2005. However, for termination benefits that affect defined benefit postemployment benefits other than pensions, governments should implement GASB 47 simultaneously with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Management has not yet determined the impact that the new GASB pronouncements will have on the State's financial statements.

**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS**

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

*Original budget* amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2005.

An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

*Final budget* amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2005, whenever signed into law or otherwise legally authorized.

For fiscal year 2005, no excess of expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue funds is presented on the following page.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)**

**Primary Government**  
**Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances**  
**For the General Fund and Major Special Revenue Funds**  
**As of June 30, 2005**  
*(dollars in thousands)*

	General	Major Special Revenue Funds			
		Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis .....	\$1,345,772	\$ (114,508)	\$66,837	\$ 592,160	\$114,563
Less: Reserved Fund Balances .....	(627,395)	(2,016,648)	(38,255)	(1,644,387)	(129,299)
Less: Designated Fund Balances .....	(718,377)	—	—	—	—
Unreserved/Undesignated Fund Balances — GAAP Basis .....	—	(2,131,156)	28,582	(1,052,227)	(14,736)
<b>BASIS DIFFERENCES</b>					
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer .....	(83,835)	(2,466)	—	(1,530)	(3,960)
Taxes Receivable .....	(868,701)	—	—	(59,765)	(223,396)
Intergovernmental Receivable .....	(330,159)	(503,846)	(106,542)	(112,084)	—
Loans Receivable, Net .....	(39,233)	—	(8,653)	(71,369)	—
Interfund Receivable .....	(256,651)	(3)	—	(1)	—
Other Receivables .....	(417,180)	(38,417)	(302)	(1,600)	—
Deferred Revenue .....	190,322	298,536	8,448	10,574	21,658
Unearned Revenue .....	153	234,472	49,191	3,129	7,939
Total Revenue Accruals/Adjustments .....	(1,805,284)	(11,724)	(57,858)	(232,646)	(197,759)
Expenditure Accruals/Adjustments:					
Cash Equity with Treasurer .....	(75,128)	(9,593)	(813)	(15,211)	—
Inventories .....	(18,617)	—	—	(23,634)	—
Other Assets .....	(10,726)	(1,357)	(5,530)	(2,294)	—
Accounts Payable .....	181,783	53,878	9,238	166,723	—
Accrued Liabilities .....	106,619	13,560	1,492	20,550	—
Medicaid Claims Payable .....	951,241	—	—	—	—
Intergovernmental Payable .....	333,207	264,685	70,371	795	376,430
Interfund Payable .....	571,330	16,435	2,121	95,309	396
Payable to Component Units .....	15,160	431	268	406	—
Refund and Other Liabilities .....	773,305	10,374	—	—	70,389
Liability for Escheat Property .....	9,863	—	—	—	—
Total Expenditure Accruals/Adjustments .....	2,838,037	348,413	77,147	242,644	447,215
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:					
Noncurrent Portion of Loans Receivable .....	36,200	—	8,369	70,462	—
Noncurrent Portion of Interfund Receivable .....	251,653	—	—	—	—
Inventories .....	18,617	—	—	23,634	—
State and Local Highway Construction .....	—	—	—	—	129,299
Federal Programs .....	—	303	8,040	—	—
Other .....	43,404	4,982	450	7,419	—
From Undesignated (Non-GAAP Budgetary Basis) to Designated .....	573,157	—	—	—	—
Cash and Investments Held Outside of State Treasury .....	(358,923)	(10,804)	(2,914)	(1,236)	(13,179)
Other .....	(1)	1	—	—	(2)
Total Other Adjustments .....	564,107	(5,518)	13,945	100,279	116,118
Total Basis Differences .....	1,596,860	331,171	33,234	110,277	365,574
<b>TIMING DIFFERENCES</b>					
Encumbrances .....	(365,955)	(373,430)	(8,694)	(153,840)	—
Budgetary Fund Balances (Deficits) — Non-GAAP Basis .....	\$1,230,905	\$(2,173,415)	\$53,122	\$(1,095,790)	\$350,838



#### NOTE 4 DEPOSITS AND INVESTMENTS

##### A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

*Active Deposits* — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

*Inactive Deposits* — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

*Interim Deposits* — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- U.S. treasury bills, notes, bonds, or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Building Authority, and the Ohio Housing Finance Agency;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, and rated at the time of purchase in the two highest rating categories by two nationally recognized rating agencies;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code; agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code; and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under Section 135.45, Ohio Revised Code;
- Debt interests, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, of foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are rated at the time of purchase in the three highest categories by two nationally recognized rating agencies, and denominated and payable in U.S. funds; and
- Obligations of a board of education, as authorized under Sections 133.10 or 133.301, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate, and other investments.

**B. State-Sponsored Investment Pool**

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9<sup>th</sup> Floor, Columbus, Ohio 43215, by calling (614) 466-2160, or by accessing the Treasurer of State's website at [www.ohiotreasurer.org](http://www.ohiotreasurer.org).

**C. Deposit and Investment Risks**

Although risks exposures are minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government-sponsored enterprises.

**1. Custodial Credit Risk**

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging financial institution's trust department or agent but not in the government's name.

Custodial credit risk for investments exists when a government is unable to recover the value of investment or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

In addition to existing legal requirements, the State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits and investments.

The following table reports the carrying amount of deposits held by the primary government and its component units, as of June 30, 2005, and the extent of exposure to custodial credit risk.

**Primary Government (including Fiduciary Activities) and Component Units  
Deposits—Custodial Credit Risk  
As of June 30, 2005  
(dollars in thousands)**

	Carrying Amount	Bank Balance	Uncollateralized*	Uninsured Portion of Reported Bank Balance	
				Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor- Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government.....	\$ 521,127	\$ 614,251	\$ —	\$131,220	\$ —
Component Units .....	515,389	593,478	77,509	463,239	12,907
Total Deposits — Reporting Entity..	\$1,036,516	\$1,207,729	\$77,509	\$594,459	\$12,907

\*Uncollateralized deposits are reported for the foundations and other component units of the colleges and universities.





**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The following tables report the fair value of investments for the primary government and its component units by type, as of June 30, 2005, and the extent of exposure to custodial credit risk (dollars in thousands).

<b>Investments for the Primary Government (including Fiduciary Activities), as of June 30, 2005</b>	<b>Total Fair Value</b>	<b>Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name</b>
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations:		
Not on Securities Loan.....	\$ 9,481,057	\$153,773
On Securities Loan.....	17,287	6,948
U.S. Government Obligations—Strips.....	397,591	—
U.S. Agency Obligations:		
Not on Securities Loan.....	9,268,170	27,143
On Securities Loan.....	66,772	—
U.S. Agency Obligations—Strips.....	331,836	—
Common and Preferred Stock.....	66,187,782	—
Corporate Bonds and Notes:		
Not on Securities Loan.....	13,773,430	893
On Securities Loan.....	131,838	131,838
Corporate Bonds and Notes—Strips.....	905	—
Commercial Paper.....	5,117,994	—
Repurchase Agreements.....	113,907	349
Mortgage and Asset-Backed Securities.....	6,106,339	—
International Investments:		
Foreign Stocks.....	30,543,137	—
Foreign Bonds:		
Not on Securities Loan.....	1,670,791	—
On Securities Loan.....	4,794	4,794
High-Yield and Emerging Markets Fixed Income.....	388,767	—
Securities Lending Collateral:		
Negotiable Certificates of Deposit.....	149,490	—
Repurchase Agreements.....	2,186,112	—
Commercial Paper.....	94,632	—
Corporate Bonds and Notes.....	3,251,817	—
Time Deposits.....	125,710	—
Master Notes.....	590,847	—
		<u>\$325,738</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations.....	2,581,245	
U.S. Government Obligations—Strips.....	47,967	
U.S. Agency Obligations.....	4,258,367	
U.S. Agency Obligations—Strips.....	297,612	
Common and Preferred Stock.....	1,109,245	
Corporate Bonds and Notes.....	231,702	
Mortgage and Asset-Backed Securities.....	1,265	
International Investments:		
Foreign Stocks.....	923,278	
Foreign Bonds.....	23,014	
High-Yield and Emerging Markets Fixed Income.....	99,217	
International Investments—Commingled Equity Funds.....	614,931	
Equity Mutual Funds.....	8,076,424	
Bond Mutual Funds.....	2,769,410	
Real Estate.....	10,095,386	
Venture Capital.....	2,270,024	
Limited Partnerships.....	940,083	
Investment Contracts.....	942	
Deposit with Federal Government.....	612,728	
Component Units' Equity in State Treasurer's Cash and Investment Pool.....	(652,173)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio.....	(476,122)	
Total Investments — Primary Government.....	<u>\$183,825,550</u>	

(Continued)



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

		Uninsured, Unregistered, and Held by the	
		Counterparty's Trust Department or Agent but not in the Component Unit's Name	Counterparty but not in the Component Unit's Name
<b>Investments for Component Units, as of June 30, 2005</b>	<b>Total Fair Value</b>		
<i>Investments Subject to Custodial Credit Risk Exposure:</i>			
U.S. Government Obligations.....	\$ 296,350	\$ 47,247	\$ 131,400
U.S. Government Obligations—Strips.....	18,273	9,700	—
U.S. Agency Obligations .....	953,048	353,661	292,599
Common and Preferred Stock.....	1,553,610	390,390	656,665
Corporate Bonds and Notes.....	309,214	110,193	135,165
Commercial Paper.....	19,923	4,875	—
Repurchase Agreements.....	346,832	225,340	82,730
Mortgage and Asset-Backed Securities .....	13,041	—	—
Negotiable Certificates of Deposit .....	299	200	—
Municipal Obligations .....	2,996	637	2,020
Other Investments .....	45,401	319	25,456
		<u>\$1,142,562</u>	<u>\$1,326,035</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>			
Equity Mutual Funds.....	1,751,946		
Bond Mutual Funds .....	872,802		
Absolute Return Funds.....	30,888		
Real Estate .....	151,519		
Direct Mortgages .....	75,251		
Life Insurance.....	3,065		
Investment Contracts .....	690,904		
Charitable Remainder Trusts .....	5,435		
Partnerships and Hedge Funds.....	156,811		
Investment in State Treasurer's Cash and Investment Pool .....	652,173		
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio).....	476,122		
Total Investments — Component Units .....	<u>8,425,903</u>		
Total Investments — Reporting Entity .....	<u>\$192,251,453</u>		

The total carrying amount of deposits and investments, as of June 30, 2005, reported for the primary government and its component units is (dollars in thousands) \$193,191,425. The total of the carrying amounts of both deposits in the amount of \$1,036,516 and investments in the amount of \$192,251,453 that has been categorized and disclosed in this note is \$193,287,969. A reconciliation of the difference is presented in the table below.

**Reconciliation of Deposit and Investments Disclosures with Financial Statements**  
**As of June 30, 2005**

(dollars in thousands)

	<b>Government-Wide Statement of Net Assets</b>			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer.....	\$ 5,902,053	\$ 80,271	\$ 415,057	\$ 221,427	\$ 6,618,808
Cash and Cash Equivalents.....	94,269	1,297,468	690,134	411,792	2,493,663
Investments.....	934,536	15,561,651	5,428,701	151,221,512	173,146,400
Collateral on Lent Securities .....	3,514,417	1,767,597	237,116	429,947	5,949,077
Deposit with Federal Government.....	—	612,728	—	—	612,728
Restricted Assets:					
Cash Equity with Treasurer.....	—	62,752	—	—	62,752
Cash and Cash Equivalents.....	—	1,675	549,786	—	551,461
Investments.....	—	1,695,507	1,621,779	—	3,317,286
Collateral on Lent Securities .....	—	439,250	—	—	439,250
Total Reporting Entity .....	<u>\$10,445,275</u>	<u>\$21,518,899</u>	<u>\$8,942,573</u>	<u>\$152,284,678</u>	<u>\$193,191,425</u>
Total Carrying Amount of Deposits and Investments per Financial Statements					\$193,191,425
Outstanding Warrants and Other Reconciling Items					178,625
Differences Resulting from Component Units with December 31 Year-Ends					(82,081)
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					<u>\$193,287,969</u>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**2. Credit Risk**

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating of at least "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Banker acceptances must carry a minimum of "AA" for long-term debt ("AAA" for foreign issuers) by a majority of the agencies rating the issuer. For short-term debt, the rating must be "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Corporate notes must be rated at a minimum of "Aa" by Moody's Investors Service and a minimum of "AA" by Standard & Poor's for long-term debt,
- Foreign debt must be guaranteed as to principal and interest by the United States or carry a minimum of "Aa" by Moody's Investors Service and a minimum of "AA" by Standard & Poor's for long-term debt,
- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of "Aa", "Aa-", "Aa+", or better by Standard & Poor's or the equivalent rating of another agency.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are

specific to the following significant entities reported for the State's reporting entity are as follows:

*Workers' Compensation Enterprise Fund*

The Fund requires an average credit quality no lower than an "A" rating for fixed income securities.

*State Highway Patrol Retirement System Pension Trust Fund*

Commercial paper must be rated "A-1" and must be issued by U.S. corporations. Bond investments must be rated within the four highest classifications of at least two rating agencies when purchased.

*STAR Ohio Investment Trust Fund*

Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1", and at least 50 percent of the total average portfolio must be rated "A-1+" or better.

*Retirement Systems Agency Fund*

For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 15 percent of the total Global Bond portfolio.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of purchase,
- Securities in the high yield fixed income portfolio are high yield bonds issued by US corporations with a minimum rating of "CCC" or equivalent,
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings,
- Commercial paper must be rated within the two highest classifications established by two standard rating agencies,
- Investment managers may hold no more than 15 percent of their entire portfolio in convertible bonds with no minimum credit rating specified.

*Ohio Water Development Authority Component Unit Fund*

The Authority's policy authorizes the acquisition of repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A" and the entering into investment agreements with financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard & Poor's.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

*University of Cincinnati Component Unit Fund*

The policy governing the university's temporary investment pool permits investments in securities rated "A" or higher at the time of purchase. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade, high-yield bond investments and certain unrated investments having strategic value to the university are permitted.

All investments, as categorized by credit ratings in the following tables, meet the requirements of the State's laws and policies, when applicable.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)

**Primary Government (including Fiduciary Activities)**  
**Investment Credit Ratings**  
**As of June 30, 2005**  
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations.....	\$ 9,451,412	\$ 52,472	\$ 24,598	\$ —	\$ —	\$ —
U.S. Agency Obligations—Strips.....	411,196	1,986	—	—	—	—
Corporate Bonds and Notes.....	2,068,920	1,916,628	4,845,755	2,302,952	1,168,506	1,158,779
Corporate Bonds and Notes—Strips.....	905	—	—	—	—	—
Commercial Paper.....	217,796	—	3,969,951	—	—	—
Repurchase Agreements.....	—	—	113,502	—	—	—
Mortgage and Asset-Backed Securities.....	1,637,749	51,781	77,148	112,949	2,181	—
Foreign Bonds.....	5,186	37,685	71,495	105,832	125,747	733,655
High-Yield & Emerging Markets Fixed Income..	—	—	2,278	120,129	198,867	111,626
Bond Mutual Funds.....	454,297	52,753	15,491	—	107,128	2,337
Investment Contracts.....	—	—	—	—	—	—
Securities Lending Collateral:						
Negotiable Certificates of Deposit.....	—	—	149,490	—	—	—
Repurchase Agreements.....	—	22,007	254,263	—	—	—
Commercial Paper.....	—	—	94,632	—	—	—
Corporate Bonds and Notes.....	835,179	371,842	1,834,830	—	—	—
Time Deposits.....	—	—	125,000	—	—	—
Master Notes.....	—	—	410,378	—	—	—
<b>Total.....</b>	<b>\$15,082,640</b>	<b>\$2,507,154</b>	<b>\$11,988,811</b>	<b>\$ 2,641,862</b>	<b>\$ 1,602,429</b>	<b>\$2,006,397</b>

Investment Type	Credit Rating				
	CCC/Caa	CC/Ca	C	Unrated	Total
U.S. Agency Obligations.....	\$ —	\$ —	\$ —	\$ 4,064,827	\$13,593,309
U.S. Agency Obligations—Strips.....	—	—	—	216,266	629,448
Corporate Bonds and Notes.....	147,946	3,429	78,300	445,755	14,136,970
Corporate Bonds and Notes—Strips.....	—	—	—	—	905
Commercial Paper.....	—	—	—	930,247	5,117,994
Repurchase Agreements.....	—	—	—	405	113,907
Mortgage and Asset-Backed Securities.....	—	—	—	4,225,796	6,107,604
Foreign Bonds.....	1,935	—	34,698	582,366	1,698,599
High-Yield & Emerging Markets Fixed Income..	16,241	—	—	38,843	487,984
Bond Mutual Funds.....	—	—	—	2,137,404	2,769,410
Investment Contracts.....	—	—	—	942	942
Securities Lending Collateral:					
Negotiable Certificates of Deposit.....	—	—	—	—	149,490
Repurchase Agreements.....	—	—	—	1,909,842	2,186,112
Commercial Paper.....	—	—	—	—	94,632
Corporate Bonds and Notes.....	—	—	—	209,966	3,251,817
Time Deposits.....	—	—	—	710	125,710
Master Notes.....	—	—	—	180,469	590,847
<b>Total.....</b>	<b>\$ 166,122</b>	<b>\$ 3,429</b>	<b>\$ 112,998</b>	<b>\$14,943,838</b>	<b>\$51,055,680</b>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Component Units  
Investment Credit Ratings  
As of June 30, 2005  
(dollars in thousands)**

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations .....	\$ 918,503	\$ —	\$ 101	\$ —	\$ —	\$ —
Corporate Bonds and Notes .....	81,977	47,808	118,357	43,632	14,687	162
Commercial Paper .....	993	—	14,340	1,099	—	—
Repurchase Agreements .....	82,730	—	—	—	—	—
Mortgage and Asset-Backed Securities .....	12,435	548	—	—	54	—
Negotiable Certificates of Deposit .....	—	—	—	—	—	—
Municipal Obligations .....	2,174	501	21	—	—	—
Bond Mutual Funds .....	627,330	42,227	74,300	58,449	4,759	21,430
Direct Mortgages .....	—	—	—	—	—	—
Investment Contracts .....	—	—	—	—	—	—
Other Investments .....	560	46	—	275	—	—
Total .....	\$1,726,702	\$ 91,130	\$ 207,119	\$103,455	\$19,500	\$21,592

Investment Type	Credit Rating		
	CCC/Caa	Unrated	Total
U.S. Agency Obligations .....	\$ —	\$ 34,444	\$ 953,048
Corporate Bonds and Notes .....	—	2,591	309,214
Commercial Paper .....	—	3,491	19,923
Repurchase Agreements .....	—	264,102	346,832
Mortgage and Asset-Backed Securities .....	—	4	13,041
Negotiable Certificates of Deposit .....	—	299	299
Municipal Obligations .....	—	300	2,996
Bond Mutual Funds .....	7,099	37,208	872,802
Direct Mortgages .....	—	75,251	75,251
Investment Contracts .....	—	690,904	690,904
Other Investments .....	—	18,745	19,626
Total .....	\$ 7,099	\$1,127,339	\$3,303,936

**3. Concentration of Credit Risk**

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 25 percent of the State's total average portfolio,
- Bankers acceptances cannot exceed 10 percent of the State's total average portfolio,
- Debt interests cannot exceed 25 percent of the State's total average portfolio,

- Debt interests in foreign nations may not exceed one percent of the State's total average portfolio,
- Debt interests of a single issuer may not exceed one-half of one percent of the State's total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury .....	100
Federal Agency (fixed rate) .....	100
Federal Agency (callable) .....	55
Federal Agency (variable rate) .....	10
Repurchase Agreements .....	25
Bankers' Acceptances .....	10
Commercial Paper .....	10
Corporate Notes .....	5
Foreign Notes .....	1
Interim Deposits .....	20
Municipal Obligations .....	10
STAR Ohio .....	25
Mutual Funds .....	25



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The investment policies of the Treasurer of State's Office also specify that commercial paper is limited to no more than five percent of the issuing corporation's total outstanding commercial paper, and investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. government obligations, limited at 100 percent; repurchase agreement counterparties, limited at the lesser of five percent or \$250 million; bankers' acceptances, limited at five percent; corporate notes and foreign debt, limited at one-half of one percent; and mutual funds, limited at 10 percent.

For large capitalization equity securities acquired for the Workers' Compensation Enterprise Fund, no single holding is to be more than five percent of the entire portfolio at market, or 9.9 percent of the outstanding equity securities of any one corporation.

For the Lottery Commission Enterprise Fund, no more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, 10 percent maximum.

The State Highway Patrol Retirement System Pension Trust Fund's policy does not allow more than 10 percent of its fixed income portfolio to be invested in securities of any one issuer with the exception of U.S. government securities, or more than five percent of the Fund's total investments in any one issuer with the exception of U.S. government securities.

For the STAR Ohio Investment Trust Fund, investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. Treasury obligations, limited at 100 percent; U.S. Agency obligations, limited at 33 percent; repurchase agreement counterparties, limited at the lesser of 10 percent or \$500 million; and mutual funds, limited at 10 percent.

As of June 30, 2005, all investments meet the requirements of the State's laws and policies, when applicable. However, investments in certain issuers are greater than five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
<i>Governmental and Business-Type Activities:</i>		
Federal National Mortgage Association .....	\$2,965,368	10%
Federal Home Loan Bank .....	1,750,937	6%
Federal Home Loan Mortgage Corporation .....	2,113,323	7%
<i>STAR Ohio Investment Trust Fund:</i>		
Federal National Mortgage Association .....	834,429	21%
Federal Home Loan Bank .....	741,714	19%
Federal Home Loan Mortgage Corporation .....	803,524	20%
<i>School Facilities Commission Component Unit Fund:</i>		
Federal National Mortgage Association .....	76,954	13%
Federal Home Loan Bank .....	96,495	16%
Federal Home Loan Mortgage Corporation .....	93,987	16%
<i>Ohio Water Development Authority Component Unit Fund (12/31/04):</i>		
Federal Home Loan Bank .....	84,612	7%
Bear Stearns .....	61,693	5%
Citigroup .....	481,996	40%
Morgan Stanley .....	61,693	5%
Transamerica .....	118,542	10%

**4. Interest Rate Risk**

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted policies to mitigate this risk.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short-term investments to no more than 12 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Variable rate notes are permitted if they meet the following criteria:

- the note has an ultimate maturity of less than three years,
- the rate resets frequently to follow money market rates,
- the note is indexed to a money market rate that correlates (by at least 95 percent) with overall money market rate changes, even during wide swings in interest rates, e.g., federal funds, 3-month treasury bill, LIBOR, and
- any cap on the interest rate is at least 15 percent (1500 basis points) higher than the coupon at purchase.

The Lottery Commission Enterprise Fund's investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

For the State Highway Patrol Retirement System Pension Trust Fund, investment policies require that commercial paper matures within 95 days. In addition, the Fund's fixed income portfolio is required to have an average maturity of 10 years or less.

Investment policies governing the STAR Ohio Investment Trust Fund limit maturities of investments to a final stated maturity of 397 days or less. The weighted average maturity of each portfolio is limited to 60 days or less.

All investments of the Ohio Water Development Authority Component Unit Fund must mature within five years unless the investment is matched to a specific obligation or debt of the Authority.

The policy of the University of Cincinnati Component Unit Fund stipulates that the weighted average maturity in the Temporary Investment Pool shall be no longer than five years. The weighted average of the fixed income maturities in the university's endowment portfolio shall not exceed 20 years.

As of June 30, 2005, several investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes \$272.5 million of investments with call dates during fiscal year 2006. These investments have scheduled maturities between fiscal year 2007

and fiscal year 2009 and are reported in the table on the following page as maturing in one to five years.

As of June 30, 2005, the Workers' Compensation Enterprise Fund held approximately \$1.5 billion in certain mortgage and asset-backed securities (primarily classified under the "Corporate Bonds and Notes" investment type), which the fund classified as derivatives. The overall return or yield on mortgage and asset-backed securities depends on the interest amount collected over the life of the security and the change in the fair value. Although the Bureau will receive the full principal amount, if prepaid, the interest income that would have been collected during the remaining period to maturity is lost. Accordingly, the yields and maturities of mortgage and asset-backed securities generally depend on when the underlying loan principal and interest are repaid. If the market rates fall below a loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new, lower interest rate financing.

The Lottery Commission Enterprise Fund has \$30.5 million of U.S. government obligations—strips and \$6.8 million of U.S. agency obligations with call dates. The U.S. government obligations—strips are callable in fiscal year 2006 and have a scheduled maturity in fiscal year 2011. This investment is reported as maturing in six to 10 years in the table on the following page. The U.S. agency obligations investment type has \$3.7 million callable in fiscal year 2007 with a scheduled maturity during fiscal year 2012 and \$3.1 million callable in fiscal year 2007 with a scheduled maturity during fiscal year 2022. These investments are reported as maturing in six to 10 years and in over 10 years, respectively, in the table on the following page.

The State Highway Patrol Retirement System Pension Trust Fund also has investments with terms that make the fair values highly sensitive to interest rate changes. Within the mortgage and asset-backed securities investment type are investments of \$4.8 million that include floating interest rates and adjustable coupons. The corporate bonds and notes investment type also include \$2.3 million of investments with floating interest rates and adjustable coupons. The mortgage and asset-backed securities and corporate bonds and notes investment types contain call provisions of \$1.3 million and \$2.5 million, respectively. The investments with call provisions are listed in the table on the following page based on these terms.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Also during fiscal year 2005, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund's investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective system's Comprehensive Annual Financial Report.

The following table lists the investment maturities of the State's investments. All investments at June 30, 2005, meet the requirements of the State's laws and policies, when applicable.

**Primary Government (including Fiduciary Activities)**  
**Investments Subject to Interest Rate Risk**  
**As of June 30, 2005**  
*(dollars in thousands)*

Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations .....	\$ 1,024,598	\$ 3,597,195	\$1,927,933	\$ 5,529,863	\$12,079,589
U.S. Government Obligations—Strips .....	24,904	36,057	92,296	292,301	445,558
U.S. Agency Obligations .....	7,757,536	2,288,325	571,876	2,975,572	13,593,309
U.S. Agency Obligations—Strips .....	51,757	273,553	167,380	136,758	629,448
Corporate Bonds and Notes .....	1,235,691	5,590,352	4,057,107	3,253,820	14,136,970
Corporate Bonds and Notes—Strips .....	—	—	—	905	905
Commercial Paper .....	5,117,994	—	—	—	5,117,994
Repurchase Agreements .....	113,851	—	—	56	113,907
Mortgage and Asset-Backed Securities .....	256	1,646,373	321,622	4,139,353	6,107,604
Foreign Bonds .....	15,860	400,949	462,362	819,428	1,698,599
High-Yield & Emerging Markets Fixed Income ....	31,803	57,336	211,959	186,886	487,984
Bond Mutual Funds .....	2,510,355	157,399	50,705	50,951	2,769,410
Investment Contracts .....	—	—	942	—	942
Securities Lending Collateral:					
Negotiable Certificates of Deposit .....	2,999	146,491	—	—	149,490
Repurchase Agreements .....	2,186,112	—	—	—	2,186,112
Commercial Paper .....	94,632	—	—	—	94,632
Corporate Bonds and Notes .....	2,647,392	604,425	—	—	3,251,817
Time Deposits .....	125,000	710	—	—	125,710
Master Notes .....	590,847	—	—	—	590,847
Total Primary Government .....	\$23,531,587	\$14,799,165	\$7,864,182	\$17,385,893	\$63,580,827

**Component Units**  
**Investments Subject to Interest Rate Risk**  
**As of June 30, 2005**  
*(dollars in thousands)*

Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations .....	\$ 85,561	\$ 132,572	\$ 48,733	\$ 29,484	\$ 296,350
U.S. Government Obligations—Strips .....	3,669	8,735	4,052	1,817	18,273
U.S. Agency Obligations .....	403,031	390,680	64,950	94,387	953,048
Corporate Bonds and Notes .....	78,441	114,872	52,619	63,282	309,214
Commercial Paper .....	19,923	—	—	—	19,923
Repurchase Agreements .....	346,832	—	—	—	346,832
Mortgage and Asset-Backed Securities .....	52	1,565	1,705	9,719	13,041
Negotiable Certificates of Deposit .....	299	—	—	—	299
Municipal Obligations .....	1,252	647	104	993	2,996
Bond Mutual Funds .....	248,401	348,179	177,616	98,606	872,802
Direct Mortgages .....	—	540	—	74,711	75,251
Investment Contracts .....	17,062	633,764	—	40,078	690,904
Other Investments .....	12,501	5,180	1,652	293	19,626
Total Component Units .....	\$1,217,024	\$1,636,734	\$351,431	\$413,370	\$3,618,559





**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**5. Foreign Currency Risk**

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates. The State's laws and investment policies include provisions to limit the exposure to this type of risk.

According to Chapter 135, Ohio Revised Code, investments reported as "Cash Equity with Treasurer" and managed by the Treasurer of State's Office are limited to the debt of nations diplomatically recognized by the United States that are backed by the full faith and credit of that foreign nation.

Investment policies of the Treasurer of State's Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in United States funds. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

*Workers' Compensation Enterprise Fund*

The Fund's investment policy requires that

- equity securities of any one international company shall not exceed 10 percent of the total value of all the investments in international equity securities,
- equity holdings of international equity securities shall not exceed 25 percent of the total value of all investments in international equity securities,
- no more than 40 percent of the total value of all investments in international equity securities shall be invested in any one country.

*Retirement Systems Agency Fund*

For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to five percent of the total Global Bond portfolio. Additionally, no more than 25 percent of the Global Bond portfolio assets may be from non-U.S. issuers.

Through the use of international money managers, the Bureau of Workers' Compensation enters into various foreign currency exchange contracts to manage exposure to changes in foreign currency

exchange rates on its international securities holdings. A foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The fair value of the forward currency contracts receivable for the Bureau was \$259 thousand, as of June 30, 2005.

As of June 30, 2005, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the next two pages for the primary government and its discretely presented component units, meet the requirements of the State's laws and policies, when applicable. Balances reported for the business-type activities exclusively pertain to the Workers' Compensation Enterprise Fund.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Primary Government**  
**International Investments—Foreign Currency Risk**  
**As of June 30, 2005**  
*(dollars in thousands)*

Currency	Business- Type Activities — Stocks	Fiduciary Activities			Total
		Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	
Argentinean Peso .....	\$ —	\$ 8,087	\$ —	\$ 6,895	\$ 14,982
Australian Dollar .....	27,581	260,963	—	—	288,544
Bahamian Dollar .....	—	26	—	—	26
Belize Dollar .....	—	2	—	—	2
Bermudian Dollar .....	—	264	—	—	264
Brazilian Real .....	—	263,229	—	—	263,229
British Pound .....	288,925	1,892,855	21	—	2,181,801
Bulgarian Lev .....	—	17	—	—	17
Canadian Dollar .....	166,954	412,122	656,139	—	1,235,215
Caymanian Dollar .....	—	39	—	—	39
Chilean Peso .....	—	3,724	—	—	3,724
Chinese Yuan .....	—	26,661	—	—	26,661
Colombian Peso .....	—	165	9,819	1,024	11,008
Czech Koruna .....	—	29,945	—	—	29,945
Danish Krone .....	21,298	77,665	—	—	98,963
Egyptian Pound .....	—	58,633	—	1,492	60,125
Euro .....	675,394	2,767,827	8,245	407	3,451,873
Hong Kong Dollar .....	50,830	438,505	—	—	489,335
Hungarian Forint .....	—	79,805	2,072	—	81,877
Icelandic Krona .....	—	2	—	—	2
Indian Rupee .....	—	160,419	—	—	160,419
Indonesian Rupiah .....	—	106,245	—	539	106,784
Israeli Shekel .....	—	114,271	—	1,049	115,320
Japanese Yen .....	418,069	1,983,092	8,877	1	2,410,039
Jordanian Dollar .....	—	1	—	—	1
Lithuanian Litas .....	—	34	—	—	34
Malaysian Ringgit .....	—	150,149	299	1,229	151,677
Mexican Peso .....	2,173	189,535	22,165	1,438	215,311
Netherlands Antilles Guilder .....	—	2	—	—	2
New Zealand Dollar .....	631	33,149	1,604	—	35,384
Norwegian Kroner .....	10,273	104,862	—	—	115,135
Pakistani Rupee .....	—	8,100	—	—	8,100
Panamanian Balboa .....	—	5	—	—	5
Peruvian New Sol .....	—	1,412	—	992	2,404
Philippines Peso .....	—	29,803	—	—	29,803
Polish Zloty .....	—	34,431	4,098	—	38,529
Romanian Leu .....	—	1,329	—	—	1,329
Russian Ruble .....	—	10,859	—	—	10,859
Singapore Dollar .....	11,011	145,854	—	—	156,865
South African Rand .....	1,477	431,865	—	—	433,342
South Korean Won .....	—	851,565	—	—	851,565
Sri Lankan Rupee .....	—	15,251	—	—	15,251
Swedish Krona .....	28,408	134,417	—	—	162,825
Swiss Franc .....	153,466	496,498	492	—	650,456
Taiwan Dollar .....	—	472,307	—	—	472,307
Thailand Baht .....	3,789	155,681	—	—	159,470
Turkish Lira .....	—	219,622	48,246	3,398	271,266
Uruguayan Peso .....	—	—	395	972	1,367
Venezuelan Bolivar .....	—	9	—	—	9
Zimbabwean Dollar .....	—	2,402	—	—	2,402
Emerging Markets (various currencies) .....	—	2,382	—	—	2,382
Investments Held in Foreign Currency .....	\$1,860,279	\$12,176,087	\$762,472	\$19,436	14,818,274
Foreign Investments Held in U.S. Dollars .....	—	—	—	—	19,449,655
Total Foreign Investments-Primary Government, including Fiduciary Activities .....	—	—	—	—	\$34,267,929



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Component Units  
International Investments—Foreign Currency Risk  
As of June 30, 2005  
(dollars in thousands)**

Ohio State University:

Included in the Investment Balances Reported for:					
Currency	Common & Preferred Stock	Corporate Bonds	Equity Mutual Funds	Bond Mutual Funds	Total
Australian Dollar .....	\$ 417	\$ —	\$ 7,061	\$ 156	\$ 7,634
British Pound .....	5,829	—	32,570	2,753	41,152
Canadian Dollar .....	740	—	8,982	987	10,709
Euro .....	7,707	234	43,109	21,298	72,348
Hong Kong Dollar .....	539	—	2,002	—	2,541
Japanese Yen .....	5,176	—	26,337	14,909	46,422
South Korean Won .....	—	—	3,443	—	3,443
Swedish Krona .....	300	—	2,171	—	2,471
Swiss Franc .....	2,243	—	6,217	—	8,460
Taiwan Dollar .....	—	—	2,875	—	2,875
Other (various currencies) .....	719	—	13,738	831	15,288
Total Foreign Investments .....	\$23,670	\$234	\$148,505	\$40,934	\$213,343

Wright State University:

Currency	Included in the Balance Reported for Corporate Bonds
Brazilian Real .....	\$162
Canadian Dollar .....	65
Columbian Peso .....	18
Japanese Yen .....	290
Norwegian Kroner .....	66
Panama Balboa .....	82
Total Foreign Investments .....	\$683

**D. Securities Lending Transactions**

The Treasurer of State, Bureau of Workers' Compensation (BWC), and the State Highway Patrol Retirement System (SHPRS) participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts and the STAR Ohio Program. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities. For the STAR Ohio Program, in the case of discount securities, such as U.S. Treasury bills or similar agency issues, where

the market functions so as to not allow the sale of securities at a price greater than par, the borrower must pledge 102 percent of the value of the loaned securities, unless a profitable transaction requires that some lesser amount, which is not to be less than the par value of the loaned security, be accepted.

The BWC and SHPRS also require custodial agents to ensure that lent securities are collateralized at 102 percent of fair value. SHPRS requires its custodial agents to provide additional collateral when the fair value of the collateral held falls below 102 percent of the fair value of securities lent.

Consequently, as of June 30, 2005, the State had no credit exposure since the amount the State owed to borrowers at least equaled or exceeded the amount borrowers owed the State.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

For loan contracts the Treasurer executes for the State's cash and investment pool, which is reported in the financial statements as "Cash Equity with Treasurer," and for the Ohio Lottery Commission's Structured Investment Portfolio, which is reported as "Restricted Investments," the lending agent may not lend more than 75 percent of the total average portfolio. For the STAR Ohio program, no more than 25 percent of the current investment portfolio may be lent.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 45 days or less and generally match the maturities of securities loans.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

The security lending agent for the STAR Ohio Program is to indemnify the Treasurer for losses resulting from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, provided, however, that the agent's obligation to indemnify the Treasurer under the agreement is to be limited to an indemnification amount equal to the difference between the market value of the lent securities on the date that such lent securities should have been returned to the agent (the "default date") and the greater of

- the cash collateral received from the borrower, or
- the value of investments of collateral—the greater of (i) the value of the collateral on the default date or (ii) the value of the collateral when it was received from the borrower. In the case of collateral consisting of a letter of credit, the value of the collateral is to be the face amount of the letter of credit.

Loan contracts for the Bureau of Workers' Compensation do not provide any loss indemnification by securities lending agents in cases of borrower default.

During fiscal year 2005, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2005, the Treasurer and the STAR Ohio Program lent U.S. government and agency obligations in exchange for collateral consisting of cash. The BWC lent fixed maturities and equity securities in exchange for cash, broker-provided, and letters of credit collateral while the State Highway Patrol Retirement System also lent a mix of fixed maturities and equity securities in exchange for cash collateral.



**NOTE 5 RECEIVABLES**

**A. Taxes Receivables — Primary Government**

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2005, approximately \$206.3 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$184.6 million is reported in the General Fund and \$21.7 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income, corporation franchise, and sales taxes, totaling approximately \$841.5 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$771.1 million is reported in the General Fund and \$70.4 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands).

	Governmental Activities				
	Major Governmental Funds			Nonmajor Governmental Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
Current-Due Within One Year:					
Sales Taxes .....	\$413,886	\$ —	\$ 28,655	\$ 661	\$ 443,202
Income Taxes .....	325,503	—	51,643	162	377,308
Motor Vehicle Fuel Taxes .....	—	59,765	105,402	2,196	167,363
Public Utility Taxes .....	73,411	—	31,138	—	104,549
Severance Taxes .....	—	—	—	1,941	1,941
	812,800	59,765	216,838	4,960	1,094,363
Noncurrent-Due in More Than One Year:					
Income Taxes .....	55,901	—	6,558	—	62,459
Taxes Receivable, Net .....	<u>\$868,701</u>	<u>\$59,765</u>	<u>\$223,396</u>	<u>\$4,960</u>	<u>\$1,156,822</u>

**B. Intergovernmental Receivable — Primary Government**

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2005 (dollars in thousands).

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General .....	\$ 562,811	\$ 10,525	\$ —	\$ 5,884	\$ 579,220
Job, Family and Other Human Services .....	417,003	86,843	—	—	503,846
Education .....	37,692	68,850	—	—	106,542
Highway Operating .....	112,084	—	—	—	112,084
Nonmajor Governmental Funds .....	255,098	13,112	—	19,372	287,582
Total Governmental Activities .....	1,384,688	179,330	—	25,256	1,589,274
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation .....	—	—	3,315	—	3,315
Nonmajor Proprietary Funds .....	30	—	—	—	30
Total Business-Type Activities .....	30	—	3,315	—	3,345
Intergovernmental Receivable .....	<u>\$1,384,718</u>	<u>\$179,330</u>	<u>\$3,315</u>	<u>\$25,256</u>	<u>\$1,592,619</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 5 RECEIVABLES (Continued)**

**C. Loans Receivable**

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2005, are detailed in the following tables (dollars in thousands).

**Primary Government — Loans Receivable**

Loan Program	Governmental Activities				
	Major Governmental Funds			Nonmajor Govern- mental Funds	Total Primary Government
	General	Education	Highway Operating		
Economic Development					
Office of Financial Incentives.....	\$ —	\$ —	\$ —	\$294,607	\$294,607
Local Infrastructure Improvements .....	—	—	—	272,490	272,490
Ohio Housing Finance Agency .....	—	—	—	253,642	253,642
Highway, Transit, & Aviation Infrastructure Bank ..	—	—	71,369	—	71,369
School District Solvency Assistance.....	26,258	—	—	—	26,258
Vocational School Assistance .....	—	8,622	—	—	8,622
State Workforce Development.....	5,120	—	—	—	5,120
Wayne Trace Local School District.....	4,504	—	—	—	4,504
Rail Development .....	—	—	—	3,898	3,898
Office of Minority Financial Incentives .....	1,275	—	—	—	1,275
Columbiana County Economic Stabilization .....	1,184	—	—	—	1,184
Professional Development.....	1,040	—	—	—	1,040
Higher Education Research Investment Loans .....	—	—	—	566	566
Small Government Fire Departments .....	480	—	—	—	480
Natural Resources.....	—	—	—	110	110
Nurses Education Assistance.....	—	31	—	—	31
Loans Receivable, Gross.....	39,861	8,653	71,369	825,313	945,196
Estimated Uncollectible .....	(628)	—	—	(11,425)	(12,053)
Loans Receivable, Net.....	<u>\$39,233</u>	<u>\$8,653</u>	<u>\$71,369</u>	<u>\$813,888</u>	<u>\$933,143</u>
Current-Due Within One Year .....	\$22,967	\$1,293	\$ 4,420	\$ 86,951	\$115,631
Noncurrent-Due in More Than One Year.....	16,266	7,360	66,949	726,937	817,512
Loans Receivable, Net .....	<u>\$39,233</u>	<u>\$8,653</u>	<u>\$71,369</u>	<u>\$813,888</u>	<u>\$933,143</u>

**Major Component Units — Loans Receivable**

Loan Program	Ohio Water Development Authority (12/31/04)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion).....	\$2,928,369	\$ —	\$ —
Student .....	—	84,459	37,249
Other.....	—	—	677
Loans Receivable, Gross.....	2,928,369	84,459	37,926
Estimated Uncollectible.....	—	(12,405)	(4,407)
Loans Receivable, Net.....	<u>\$2,928,369</u>	<u>\$72,054</u>	<u>\$33,519</u>
Current-Due Within One Year .....	\$ 1,452	\$ 9,108	\$ 3,224
Noncurrent-Due in More Than One Year .....	2,926,917	62,946	30,295
Loans Receivable, Net.....	<u>\$2,928,369</u>	<u>\$72,054</u>	<u>\$33,519</u>



**NOTE 5 RECEIVABLES (Continued)**

**D. Other Receivables**

The other receivables balances reported for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2005, consist of the following (dollars in thousands).

**Primary Government — Other Receivables**

Governmental Activities						
Major Governmental Funds						
Type of Receivable	General	Job, Family & Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total
Manufacturers' Rebates .....	\$384,841	\$ —	\$ —	\$ —	\$ 13,039	\$397,880
Tobacco Settlement.....	—	—	—	—	158,923	158,923
Health Facility Bed Assessments .....	—	36,250	—	—	—	36,250
Interest .....	9,706	—	—	924	3,047	13,677
Accounts.....	4,213	—	302	676	6,837	12,028
Environmental Legal Settlements.....	—	—	—	—	10,108	10,108
Miscellaneous.....	18,420	2,167	—	—	—	20,587
Other Receivables, Net-Due Within One Year.....	<u>\$417,180</u>	<u>\$38,417</u>	<u>\$302</u>	<u>\$1,600</u>	<u>\$191,954</u>	<u>\$649,453</u>

Business-Type Activities					
Major Proprietary Funds					
Type of Receivable	Workers' Compen- sation	Lottery Com- mission	Unemploy- ment Compen- sation	Nonmajor Proprietary Funds	Total
Accounts .....	\$991,529	\$ —	\$83,229	\$12,000	\$1,086,758
Interest and Dividends (including restricted portion) .....	72,094	2,775	—	271	75,140
Leases.....	—	—	—	11,042	11,042
Lottery Sales Agents .....	—	34,979	—	—	34,979
Other Receivables, Gross .....	1,063,623	37,754	83,229	23,313	1,207,919
Estimated Uncollectible .....	(819,608)	(21)	(73,438)	(80)	(893,147)
Other Receivables, Net .....	<u>\$244,015</u>	<u>\$37,733</u>	<u>\$ 9,791</u>	<u>\$23,233</u>	<u>\$ 314,772</u>
Current-Due Within One Year.....	\$244,015	\$37,733	\$ 9,791	\$14,238	\$ 305,777
Noncurrent-Due in More Than One Year .....	—	—	—	8,995	8,995
Other Receivables, Net.....	<u>\$244,015</u>	<u>\$37,733</u>	<u>\$ 9,791</u>	<u>\$23,233</u>	<u>\$ 314,772</u>
Total Primary Government.....					\$ 964,225

**Major Component Units — Other Receivables**

Type of Receivable	Ohio State University	University of Cincinnati
Accounts .....	\$678,564	\$ 27,856
Interest .....	19,641	10,949
Pledges .....	48,318	65,897
Unbilled Charges .....	—	22,229
Other Receivables, Gross .....	746,523	126,931
Estimated Uncollectible .....	(336,590)	(11,642)
Other Receivables, Net .....	<u>\$409,933</u>	<u>\$115,289</u>
Current-Due Within One Year .....	\$387,451	\$ 81,549
Noncurrent-Due in More Than One Year .....	22,482	33,740
Other Receivables, Net .....	<u>\$409,933</u>	<u>\$115,289</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 5 RECEIVABLES (Continued)**

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2005, is comprised of interest due of \$2.8 million and miscellaneous receivables of \$9.6 million.

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit reported in the proprietary funds, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

As of June 30, 2005, future lease payments included under "Other Receivables" in business-type activities, net of executory costs, (dollars in thousands) were as follows:

Year Ending June 30,	Business-Type Activities
2006 .....	\$ 2,345
2007 .....	4,802
2008 .....	2,716
Total Minimum Lease Payments .....	9,863
Amount for interest .....	(477)
Present Value of Net Minimum Lease Payments .....	9,386
Unearned Income .....	1,656
Net Leases Receivable .....	<u>\$11,042</u>

**NOTE 6 PAYABLES**

**A. Accrued Liabilities**

Details on accrued liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2005, follow (dollars in thousands).

**Primary Government — Accrued Liabilities**

	Wages	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General .....	\$106,619	\$ —	\$106,619
Job, Family and Other Human Services .....	13,560	—	13,560
Education .....	1,492	—	1,492
Highway Operating .....	20,550	—	20,550
Nonmajor Governmental Funds .....	39,334	36	39,370
	181,555	36	181,591
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences .....	—	113,129	113,129
Total Governmental Activities .....	181,555	113,165	294,720
Business-Type Activities:			
Nonmajor Proprietary Funds .....	4,487	90	4,577
Total Business-Type Activities .....	4,487	90	4,577
Total Primary Government .....	<u>\$186,042</u>	<u>\$113,255</u>	<u>\$299,297</u>

	Wages	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/04) .....	\$142	\$699	\$ —	\$ 841
Variable College Savings Plan Private-Purpose Trust .....	—	—	5,509	5,509
Total Fiduciary Activities .....	<u>\$142</u>	<u>\$699</u>	<u>\$5,509</u>	<u>\$6,350</u>





**NOTE 6 PAYABLES (Continued)**

**Major Component Units — Accrued Liabilities**

	Wages & Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University .....	\$198,813	\$2,863	\$29,402	\$231,078
University of Cincinnati .....	59,176	3,396	9,462	72,034

**B. Intergovernmental Payable**

The intergovernmental payable balances for the primary government, as of June 30, 2005, are comprised of the following (dollars in thousands).

**Primary Government**

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General .....	\$244,279	\$ 88,928	\$ —	\$ —	\$ 333,207
Job, Family and Other Human Services .....	—	264,685	—	—	264,685
Education .....	—	69,859	512	—	70,371
Highway Operating .....	—	795	—	—	795
Revenue Distribution .....	372,489	—	—	3,941	376,430
Nonmajor Governmental Funds .....	—	217,422	—	—	217,422
Total Governmental Activities .....	616,768	641,689	512	3,941	1,262,910
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation .....	—	—	47	—	47
Nonmajor Proprietary Funds .....	414	—	—	—	414
Total Business-Type Activities .....	414	—	47	—	461
Total Primary Government .....	\$617,182	\$641,689	\$ 559	\$3,941	\$1,263,371
Fiduciary Activities:					
Holding and Distribution Agency Fund .....	\$ —	\$ —	\$3,085	\$3,993	\$ 7,078
Payroll Withholding and Fringe Benefits Agency Fund .....	—	357	—	—	357
Other Agency Fund .....	72,600	6,635	—	—	79,235
Total Fiduciary Activities .....	\$ 72,600	\$ 6,992	\$3,085	\$3,993	\$ 86,670

As of June 30, 2005, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately \$2.34 billion for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Assets, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities."

The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

**C. Refund and Other Liabilities**

Refund and other liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2005, consist of the balances reported on the tables presented on the following page (dollars in thousands).



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 6 PAYABLES (Continued)**

**Primary Government — Refund and Other Liabilities**

	Estimated Tax Refund Claims			Interest on Lawyers' Trust Accounts	Other	Total
	Personal Income Tax	Corporation Franchise Tax	Total Tax Refund Liabilities			
Governmental Activities:						
Major Governmental Funds:						
General .....	\$567,021	\$204,128	\$771,149	\$ —	\$ 2,156	\$773,305
Job, Family and Other Human Services .....	—	—	—	8,269	2,105	10,374
Revenue Distribution .....	64,766	5,623	70,389	—	—	70,389
Nonmajor Governmental Funds .....	—	—	—	—	3,898	3,898
	631,787	209,751	841,538	8,269	8,159	857,966
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements .....	—	—	—	—	3,140	3,140
Total Governmental Activities .....	<u>\$631,787</u>	<u>\$209,751</u>	<u>\$841,538</u>	<u>\$8,269</u>	<u>\$11,299</u>	<u>\$861,106</u>
	Reserve for Compensation Adjustment	Refund & Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation .....	\$1,707,720	\$86,992	\$22,766	\$ —	\$110,293	\$1,927,771
Lottery Commission .....	—	—	2,662	—	49,968	52,630
Unemployment Compensation .....	—	8,556	—	—	—	8,556
Nonmajor Proprietary Funds .....	—	50	10,539	205	12,535	23,329
	1,707,720	95,598	35,967	205	172,796	2,012,286
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements .....	(1,707,720)	(86,992)	(35,683)	(205)	(77,120)	(1,907,720)
Total Business-Type Activities .....	<u>\$ —</u>	<u>\$ 8,606</u>	<u>\$ 284</u>	<u>\$ —</u>	<u>\$ 95,676</u>	<u>\$ 104,566</u>
	Total Primary Government .....					<u>\$ 965,672</u>
	Child Support Collections	Refund & Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/04) ...	\$ —	\$ —	\$ —	\$ —	\$ 47	\$ 47
STAR Ohio Investment Trust .....	—	—	—	—	2,990	2,990
Agency Funds:						
Holding and Distribution .....	—	16,328	—	—	—	16,328
Centralized Child Support Collections .....	90,477	—	—	—	—	90,477
Retirement Systems .....	—	—	—	143,995,483	—	143,995,483
Payroll Withholding and Fringe Benefits .....	—	—	121,112	—	—	121,112
Other .....	—	390,713	—	—	93,406	484,119
Total Fiduciary Activities .....	<u>\$90,477</u>	<u>\$407,041</u>	<u>\$121,112</u>	<u>\$143,995,483</u>	<u>\$96,443</u>	<u>\$144,710,556</u>

**Major Component Units — Refund and Other Liabilities**

	Refund & Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Ohio State University .....	\$57,754	\$78,752	\$ 15,458	\$50,860	\$67,424	\$270,248
University of Cincinnati .....	4,768	65,289	126,800	—	31,036	227,893



**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

**A. Interfund Balances**

Interfund balances, as of June 30, 2005, consist of the following (dollars in thousands):

Due from	Due to				
	Governmental Activities				
	Major Governmental Funds				
	General	Job, Family and Other Human Services	Highway Operating	Nonmajor Governmental Funds	Total
Major Governmental Funds:					
General .....	\$ —	\$3	\$1	\$2,618	\$ 2,622
Job, Family and Other Human Services .....	—	—	—	—	—
Education .....	—	—	—	—	—
Highway Operating .....	—	—	—	—	—
Revenue Distribution .....	—	—	—	396	396
Nonmajor Governmental Funds .....	253,891	—	—	350	254,241
Total Governmental Activities .....	253,891	3	1	3,364	257,259
Nonmajor Proprietary Funds .....	2,760	—	—	—	2,760
Total Business-Type Activities .....	2,760	—	—	—	2,760
<b>Total Primary Government .....</b>	<b>\$256,651</b>	<b>\$3</b>	<b>\$1</b>	<b>\$3,364</b>	<b>\$260,019</b>
Business-Type Activities					
	Major Proprietary Fund	Nonmajor Proprietary Funds	Total	Total Primary Government	
Major Governmental Funds:	Workers' Compensation				
General .....	\$556,723	\$11,985	\$568,708	\$ 571,330	
Job, Family and Other Human Services .....	16,435	—	16,435	16,435	
Education .....	2,121	—	2,121	2,121	
Highway Operating .....	95,309	—	95,309	95,309	
Revenue Distribution .....	—	—	—	396	
Nonmajor Governmental Funds .....	112,661	—	112,661	366,902	
Total Governmental Activities .....	783,249	11,985	795,234	1,052,493	
Major Proprietary Funds:					
Lottery Commission .....	3,474	—	3,474	3,474	
Nonmajor Proprietary Funds .....	2,827	—	2,827	5,587	
Total Business-Type Activities .....	6,301	—	6,301	9,061	
<b>Total Primary Government .....</b>	<b>\$789,550</b>	<b>\$11,985</b>	<b>\$801,535</b>	<b>\$1,061,554</b>	

Interfund balances result from the time lag between dates that 1.) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made.

Included in the interfund balances above is \$253.6 million due to the General Fund from the nonmajor governmental funds for interfund loans made to support housing programs at the Ohio Housing Finance Agency, which is accounted for in the Community and Economic Development Special Revenue Fund. Of the total interfund loan balance, ap-

proximately \$251.7 million is not expected to be collected in the subsequent fiscal year.

Additionally, the State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$789.6 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling \$783.2 million in the internal balance reported for governmental activities.



STATE OF OHIO  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**B. Interfund Transfers**

Interfund transfers, for the year ended of June 30, 2005, consist of the following (dollars in thousands):

Transferred from	Transferred to						
	Governmental Activities						Total
	Major Governmental Funds					Nonmajor Governmental Funds	
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution		
Major Governmental Funds:							
General .....	\$ —	\$ 92,119	\$ 9,961	\$ 77	\$ 4,695	\$1,053,952	\$1,160,804
Job, Family and Other Human Services .....	97,311	—	1,500	—	—	—	98,811
Education .....	31,886	—	—	—	—	—	31,886
Highway Operating .....	934	—	—	—	95,623	188,547	285,104
Revenue Distribution .....	88,149	—	—	518,557	—	224,937	831,643
Nonmajor Governmental Funds .....	24,981	7,570	116	685	—	14,111	47,463
Total Governmental Activities .....	243,261	99,689	11,577	519,319	100,318	1,481,547	2,455,711
Major Proprietary Funds:							
Workers' Compensation .....	7,568	—	—	—	—	—	7,568
Lottery Commission .....	536	—	645,137	—	—	—	645,673
Unemployment Compensation .....	—	35,790	—	—	—	—	35,790
Nonmajor Proprietary Funds .....	115,011	—	—	—	—	63,497	178,508
Total Business-Type Activities .....	123,115	35,790	645,137	—	—	63,497	867,539
<b>Total Primary Government .....</b>	<b>\$366,376</b>	<b>\$135,479</b>	<b>\$656,714</b>	<b>\$519,319</b>	<b>\$100,318</b>	<b>\$1,545,044</b>	<b>\$3,323,250</b>
Business-Type Activities							
		Major Proprietary Fund					
		Unemployment Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government		
Major Governmental Funds:							
General .....	\$ —	\$55,247	\$55,247	\$1,216,051			
Job, Family and Other Human Services .....	4,639	—	4,639	103,450			
Education .....	—	—	—	31,886			
Highway Operating .....	—	—	—	285,104			
Revenue Distribution .....	—	—	—	831,643			
Nonmajor Governmental Funds .....	—	—	—	47,463			
Total Governmental Activities .....	4,639	55,247	59,886	2,515,597			
Major Proprietary Funds:							
Workers' Compensation .....	—	—	—	7,568			
Lottery Commission .....	—	—	—	645,673			
Unemployment Compensation .....	—	—	—	35,790			
Nonmajor Proprietary Funds .....	—	—	—	178,508			
Total Business-Type Activities .....	—	—	—	867,539			
<b>Total Primary Government .....</b>	<b>\$4,639</b>	<b>\$55,247</b>	<b>\$59,886</b>	<b>\$3,383,136</b>			

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts to the debt

service fund as debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**C. Component Units**

For fiscal year 2005, the component units reported \$2.46 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary and Other Education" expenses reported for governmental activities, is funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the SchoolNet Commission for the acquisition of computers to benefit local schools.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

**Primary Government**  
(dollars in thousands)

	Payable to the Component Units	Program Expenses for State Assistance to Component Units			
		Primary, Secondary and Other Education Function	Higher Education Support Function	Community And Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:					
General.....	\$15,160	\$417,686	\$1,665,252	\$20,026	\$2,102,964
Job, Family and Other Human Services .....	431	—	—	—	—
Education .....	268	—	—	—	—
Highway Operating .....	406	—	—	—	—
Nonmajor Governmental Funds .....	30,939	133,942	225,918	—	359,860
Total Primary Government.....	<u>\$47,204</u>	<u>\$551,628</u>	<u>\$1,891,170</u>	<u>\$20,026</u>	<u>\$2,462,824</u>

**Component Units**  
(dollars in thousands)

	Receivable from the Primary Government	Total State Assistance from the Primary Government
Major Component Units:		
School Facilities Commission .....	\$ —	\$ 525,738
Ohio State University .....	19,272	525,804
University of Cincinnati .....	889	223,031
Nonmajor Component Units .....	27,043	1,188,251
Total Component Units.....	<u>\$47,204</u>	<u>\$2,462,824</u>



STATE OF OHIO  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

**NOTE 8 CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity, for the year ended June 30, 2005, reported for the primary government was as follows (dollars in thousands):

	<b>Primary Government</b>			
	Balance July 1, 2004 (as restated)	Increases	Decreases	Balance June 30, 2005
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Buildings .....	\$ 54,602	\$ 4,533	\$ —	\$ 59,135
Land .....	1,594,965	42,869	(2,318)	1,635,516
Land Improvements .....	930	—	—	930
Construction-in-Progress .....	1,710,488	516,943	(388,423)	1,839,008
Infrastructure:				
Highway Network:				
General Subsystem .....	8,232,748	107,384	—	8,340,132
Priority Subsystem .....	6,707,733	123,934	—	6,831,667
Bridge Network .....	2,287,175	46,517	—	2,333,692
Total Capital Assets Not Being Depreciated .....	20,588,641	842,180	(390,741)	21,040,080
Other Capital Assets:				
Buildings .....	3,190,147	59,283	(20,496)	3,228,934
Land Improvements .....	272,869	39,180	(5,513)	306,536
Machinery and Equipment .....	481,051	70,258	(27,876)	523,433
Vehicles .....	234,734	29,690	(20,761)	243,663
Infrastructure:				
Parks, Recreation and Natural Resources Network .....	24,517	8,816	(1)	33,332
Total Other Capital Assets at historical cost .....	4,203,318	207,227	(74,647)	4,335,898
Less Accumulated Depreciation for:				
Buildings .....	1,212,193	95,551	(8,518)	1,299,226
Land Improvements .....	128,496	12,449	(3,865)	137,080
Machinery and Equipment .....	321,891	55,834	(25,526)	352,199
Vehicles .....	108,119	20,629	(15,135)	113,613
Infrastructure:				
Parks, Recreation and Natural Resources Network .....	1,115	888	—	2,003
Total Accumulated Depreciation .....	1,771,814	185,351	(53,044)	1,904,121
Other Capital Assets, Net .....	2,431,504	21,876	(21,603)	2,431,777
Governmental Activities- Capital Assets, Net .....	<u>\$23,020,145</u>	<u>\$864,056</u>	<u>\$(412,344)</u>	<u>\$23,471,857</u>

For fiscal year 2005, the State charged depreciation expense to the following governmental functions:

**Governmental Activities:**

Primary, Secondary and Other Education .....	\$ 1,926
Higher Education Support .....	6
Public Assistance and Medicaid .....	9,765
Health and Human Services .....	21,902
Justice and Public Protection .....	62,220
Environmental Protection and Natural Resources .....	13,735
Transportation .....	28,010
General Government .....	71,858
Community and Economic Development .....	3,240
Total Depreciation Expense for Governmental Activities .....	212,662
Losses on Capital Asset Disposals Included in Depreciation ...	(27,311)
Fiscal Year 2005 Increases to Accumulated Depreciation .....	<u>\$185,351</u>



STATE OF OHIO  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

**NOTE 8 CAPITAL ASSETS (Continued)**

	<b>Primary Government (Continued)</b>			
	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 12,631	\$ —	\$ (637)	\$ 11,994
Construction-in-Progress .....	—	71	—	71
Total Capital Assets Not Being Depreciated.....	12,631	71	(637)	12,065
Other Capital Assets:				
Buildings .....	257,854	156	(35,972)	222,038
Land Improvements .....	66	—	—	66
Machinery and Equipment .....	152,104	6,279	(13,207)	145,176
Vehicles .....	4,538	108	(359)	4,287
Total Other Capital Assets at historical cost.....	414,562	6,543	(49,538)	371,567
Less Accumulated Depreciation for:				
Buildings .....	124,091	8,008	(23,892)	108,207
Land Improvements .....	49	1	—	50
Machinery and Equipment .....	117,176	12,073	(11,405)	117,844
Vehicles .....	2,076	559	(279)	2,356
Total Accumulated Depreciation .....	243,392	20,641	(35,576)	228,457
Other Capital Assets, Net .....	171,170	(14,098)	(13,962)	143,110
Business-Type Activities- Capital Assets, Net .....	<u>\$183,801</u>	<u>\$(14,027)</u>	<u>\$(14,599)</u>	<u>\$155,175</u>

For fiscal year 2005, the State charged depreciation expense to the following business-type functions:

<b>Business-Type Activities:</b>	
Workers' Compensation .....	\$ 3,472
Lottery Commission .....	14,646
Tuition Trust Authority .....	25
Liquor Control.....	309
Underground Parking Garage .....	564
Office of Auditor of State .....	1,656
Total Depreciation Expense for Business-Type Activities .....	20,672
Losses on Capital Asset Disposals Included in Depreciation ...	(31)
Fiscal Year 2005 Increases to Accumulated Depreciation .....	<u>\$20,641</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 8 CAPITAL ASSETS (Continued)**

**B. Major Component Units**

Capital asset activity, for the year ended June 30, 2005, reported for discretely presented major component unit funds with significant capital asset balances was as follows (dollars in thousands):

	<b>Major Component Units</b>			
	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Ohio State University:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 42,202	\$ 4,934	\$ (3,120)	\$ 44,016
Construction-in-Progress .....	377,423	—	(6,670)	370,753
Total Capital Assets Not Being Depreciated.....	419,625	4,934	(9,790)	414,769
Other Capital Assets:				
Buildings .....	2,281,483	396,167	(7,237)	2,670,413
Land Improvements .....	193,563	25,925	(1,647)	217,841
Machinery, Equipment and Vehicles.....	685,915	114,322	(51,854)	748,383
Library Books and Publications.....	160,540	2,816	(2,313)	161,043
Total Other Capital Assets at historical cost.....	3,321,501	539,230	(63,051)	3,797,680
Less Accumulated Depreciation for:				
Buildings .....	930,906	70,456	(3,008)	998,354
Land Improvements .....	112,482	8,059	(1,647)	118,894
Machinery, Equipment and Vehicles...	474,835	64,215	(50,109)	488,941
Library Books and Publications.....	134,238	3,246	—	137,484
Total Accumulated Depreciation.....	1,652,461	145,976	(54,764)	1,743,673
Other Capital Assets, Net .....	1,669,040	393,254	(8,287)	2,054,007
Total Capital Assets, Net .....	<u>\$2,088,665</u>	<u>\$398,188</u>	<u>\$(18,077)</u>	<u>\$2,468,776</u>
<b>University of Cincinnati:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 19,976	\$ 1,329	\$ —	\$ 21,305
Construction-in-Progress .....	199,798	146,482	(50,655)	295,625
Collections of Works of Art and Historical Treasures .....	4,408	61	—	4,469
Total Capital Assets Not Being Depreciated .....	224,182	147,872	(50,655)	321,399
Other Capital Assets:				
Buildings .....	1,276,828	37,570	—	1,314,398
Land Improvements .....	27,926	6,826	—	34,752
Machinery, Equipment and Vehicles	146,601	16,857	(9,429)	154,029
Library Books and Publications.....	125,588	9,931	(1,801)	133,718
Infrastructure.....	76,801	1,598	—	78,399
Total Other Capital Assets at historical cost.....	1,653,744	72,782	(11,230)	1,715,296
Less Accumulated Depreciation for:				
Buildings .....	437,157	48,491	(16,045)	469,603
Land Improvements .....	6,603	1,490	(53)	8,040
Machinery, Equipment and Vehicles...	97,883	12,026	(8,804)	101,105
Library Books and Publications.....	80,576	6,881	(1,801)	85,656
Infrastructure.....	38,339	3,115	—	41,454
Total Accumulated Depreciation.....	660,558	72,003	(26,703)	705,858
Other Capital Assets, Net .....	993,186	779	15,473	1,009,438
Total Capital Assets, Net .....	<u>\$1,217,368</u>	<u>\$148,651</u>	<u>\$(35,182)</u>	<u>\$1,330,837</u>

For fiscal year 2005, Ohio State University and the University of Cincinnati reported approximately \$146 million and \$72 million in depreciation expense, respectively.





**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

**A. Ohio Public Employees Retirement System (OPERS)**

**Pension Benefits**

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans — a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five years of total service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers (who must participate in the defined benefit plan), college and university employees who choose to participate in one of their university's alternative retirement plans (see NOTE 9D.), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit and prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Regular employees who participate in the defined benefit plan or the combined plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Law enforcement employees may retire at age 48 with 25 or more years of credited service.

The retirement allowance for the defined benefit plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 1.0 percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, or various combinations of these options. Participants direct the investment of their accounts by selecting from nine professionally managed investment options.

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP is limited to a minimum of six months and maximum of 36 months worth of the original



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

unreduced monthly pension benefit, and is capped at no more than 50 percent of the retirement benefit amount.

Employer and employee required contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for fiscal year 2005, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees .....	8.50%	13.31%
Law Enforcement Employees.....	10.10%	16.70%

Employer rates for regular employees and law enforcement employees are scheduled to increase to 13.54 percent and 16.93 percent, respectively, beginning January 1, 2006. Employee rates for regular employees are scheduled to increase to nine percent, beginning January 1, 2006.

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

Employer contributions required and made for the last three years for the defined benefit and combined plans follow (dollars in thousands):

	2005	2004	2003
<i>Primary Government:</i>			
Regular Employees ....	\$248,032	\$235,634	\$224,267
Law Enforcement Employees .....	3,946	3,763	3,596
Total .....	<u>\$251,978</u>	<u>\$239,397</u>	<u>\$227,863</u>

*Major Component Units:*

School Facilities			
Commission .....	\$ 283	\$ 346	\$ 298
Ohio Water Development Authority	83	83	72
Ohio State University .....	63,044	54,280	51,968
University of Cincinnati...	14,070	12,596	11,339

Employer and employee contributions required and made for the last two fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2005	2004	2003
<i>Primary Government:</i>			
Employer Contributions	\$2,054	\$1,593	\$ 530
Employee Contributions	4,375	3,322	1,137
<i>Major Component Units:</i>			
<i>Ohio State University:</i>			
Employer Contributions	1,002	720	188
Employee Contributions	2,032	1,437	392
<i>University of Cincinnati:</i>			
Employer Contributions	200	150	39
Employee Contributions	403	291	83

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-7377.

**Other Postemployment Benefits**

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2005, employers paid 4.81 percent of their share into members' accounts. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100.0 percent vesting attained after 10 years of service credit. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions, for the fiscal year ended June 30, 2005, were as follows (dollars in thousands):

	2005
<i>Primary Government</i> .....	\$1,162
<i>Major Component Units:</i>	
Ohio State University .....	567
University of Cincinnati .....	113

All age and service retirees who are members of the defined benefit or combined plans with 10 or more years of service credit qualify for healthcare coverage under OPERS. Members hired after January 1, 2003 with no prior service credit vest according to length of service. Members with 10 years of service credit have a 25-percent vested interest. Vested interest increases with service credit until members attain a 100.0 percent vested interest after reaching 30 years of service credit. Members hired after January 1, 2003 can also choose various coverage options.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Healthcare coverage for disability recipients and primary survivor recipients is also available to members of the defined benefit and combined plans. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For law enforcement and regular employees, the portion of the employer rate used to fund healthcare was four percent of covered payroll during fiscal year 2005. Employees do not fund any portion of health-care costs.

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal cost method. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2003 (the latest information available), include a rate of return on investments of eight percent, an annual increase in total payroll for active employees of four percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and four percent based on additional annual pay increases. Health-care costs were assumed to increase between five percent and 10 percent annually from 2004 through 2012, and at an annual rate of four percent thereafter.

Net assets available for payment of benefits at December 31, 2003 were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

For fiscal year 2005, the State's actuarially required and actual contributions for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	2005
<i>Primary Government:</i>	
Regular Employees .....	\$106,566
Law Enforcement Employees.....	1,243
Total.....	<u>\$107,809</u>
<i>Major Component Units:</i>	
School Facilities Commission .....	\$ 122
Ohio Water Development Authority.....	35
Ohio State University .....	27,086
University of Cincinnati.....	6,045

The number of active contributing participants for the primary government was 59,154, as of June 30, 2005.

**B. State Teachers Retirement System of Ohio (STRS)**

**Pension Benefits**

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans — a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" calculation, the "money-purchase benefit" calculation, or the "partial lump-sum option plan."

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31<sup>st</sup> year of Ohio service. For teachers with 35 or more years of earned service, the annual allowance is determined by multiplying the final average salary by 2.5 percent for the first 31 years of service, and each year over 30 years is increased incrementally by .1 percent starting at 2.6 percent for the 32<sup>nd</sup> year of Ohio service.

Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Retirees can also choose a "partial lump-sum" option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan. Participants in the defined contribution plan are eligible to retire at age 50.

Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from nine professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60. The annual allowance is determined by multiplying the final average salary by 1.0 percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity at age 50.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans. STRS benefits are established under Chapter 3307, Ohio Revised Code.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14.0 percent and 10.0 percent, respectively, and are based on percentages of cov-

ered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2005 were 14 percent for employers and 10 percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS healthcare program. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

Employer contributions required and made for the last three years for the defined benefit and combined plans follow (dollars in thousands):

	2005	2004	2003
<i>Primary Government</i>	\$ 6,893	\$ 6,966	\$ 7,248
<i>Major Component Units:</i>			
Ohio State University	33,075	31,995	31,181
University of Cincinnati	13,551	13,043	12,536

Contribution amounts shown for fiscal year 2003 apply to the defined benefit plan, since the combined plan was not in effect until fiscal year 2004.

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2005	2004	2003
<i>Primary Government:</i>			
Employer Contributions	\$ 129	\$111	\$ 96
Employee Contributions	184	161	138
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	1,018	634	418
Employee Contributions	1,283	819	517
University of Cincinnati:			
Employer Contributions	651	480	384
Employee Contributions	770	547	400

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling 1-888-227-7877.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Other Postemployment Benefits**

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans. Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to 1.0 percent of covered payroll are allocated to pay for healthcare benefits. Retirees enrolled in the defined contribution plan receive no postemployment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2004 (the most recent information available), net assets available for future healthcare benefits were \$3.1 billion. Net healthcare costs paid by the primary government and its discretely presented major component units, for the year ended June 30, 2005, were as follows (dollars in thousands):

	2005
Primary Government .....	\$ 530
Major Component Units:	
Ohio State University .....	2,544
University of Cincinnati .....	1,042

The number of eligible benefit recipients for STRS as a whole was 147,545, as of June 30, 2004; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2005, is unavailable.

**C. State Highway Patrol Retirement System (SHPRS)**

**Pension Benefits**

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or 1-800-860-2268.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. Chapter 5505, Ohio Revised Code, also requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate nor be less than the employee's contribution rate.

Contribution rates, as of December 31, 2004, were as follows:

Contribution Rates	
Employee Share	Employer Share
10.0%	24.50%

The employer's share is scheduled to increase to 25.5 percent on July 1, 2005.

During calendar year 2004, all of the employees' contributions funded pension benefits while 21 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments is based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes each year's investment gain or loss over a closed, four-year period.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**SHPRS Schedule of Funding Progress**  
**Last Three Calendar Years**  
(dollars in thousands)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2004 (a)	\$734,464	\$569,858	\$164,606	77.6%	\$81,758	201.3%
2004	737,867	569,858	168,009	77.2	81,758	205.5
2003	702,799	545,982	156,817	77.7	81,738	191.9
2002 (b)	663,070	527,604	135,466	79.6	78,997	171.5
2002	668,606	492,431	176,175	73.7	78,997	223.0

(a) Plan Amendment  
(b) Change in assumption or method.

The employer's annual pension costs for the last three calendar years were as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2004	\$17,870	100%
2003	16,307	100%
2002	15,393	100%

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2004. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an eight-percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to 3.7 percent a year attributable to seniority and merit; price inflation was assumed to be at least four percent a year; and postretirement increases each year equal to three percent after the retiree reaches age 53.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 34 years.

The Schedule of Funding Progress for the last three years is presented in the table at the top of the page. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.

**Other Postemployment Benefits**

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 2004, was 1,562. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2004 expense was \$7.4 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected healthcare costs would increase at a rate of four percent, compounded annually, due to inflation, was also used in the valuation. Net assets available for benefits allocated to healthcare costs at December 31, 2004 were \$93.7 million, and included investments carried at fair value, as previously described.

As of December 31, 2004, the unfunded actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$162.6 million; the actuarial accrued liability for healthcare benefits at that date was \$256.3 million.

Employer contributions are made in accordance with actuarially determined requirements. For calendar year 2004, the employer contribution requirement was approximately \$3 million or 3.5 percent of active member payroll.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**D. Alternative Retirement Plan (ARP)**

**Pension Benefits**

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or OPERS. Classified civil service employees are not eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to STRS or OPERS would be transferred to the ARP. The Ohio Department of Insurance has designated eight companies as being eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Therefore, employees who would have otherwise been enrolled in STRS or OPERS would contribute 10.0 percent or 8.5 percent of their gross salaries, respectively. Employees may also voluntarily make additional contributions to the ARP.

Ohio law also requires each public institution of higher education contribute 3.5 percent of a participating employee's gross salary, for the year ended June 30, 2005, to STRS in cases when the employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2005, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on STRS and OPERS. The Board of Trustees of each public institution of higher education may also

make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the eight investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2005, for the ARP follow (dollars in thousands):

	Fiscal Year 2005	
	OPERS	STRS
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions .....	\$16,147	\$10,946
Employee Contributions .....	10,312	10,425
University of Cincinnati:		
Employer Contributions .....	5,751	5,085
Employee Contributions .....	3,673	4,843



**NOTE 10 GENERAL OBLIGATION BONDS**

The State has pledged its full faith and credit for the payment of principal and interest on general obligation bonds.

At various times since 1921, Ohio voters, by 17 constitutional amendments (the last adopted in November 2000 for land conservation purposes), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, and natural resources. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2005, the General Assembly had authorized the issuance of \$3.04 billion in Common Schools Capital Facilities Bonds, of which \$2.19 billion had been issued. As of June 30, 2005, the General Assembly had also authorized the issuance of \$2.33 billion in Higher Education Capital Facilities Bonds, of which \$1.55 billion had been issued.

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2005, the General Assembly had authorized the issuance of approximately \$2.13 billion in Highway Capital Improvements Bonds, of which \$1.44 billion had been issued.

Constitutional amendments in 1987 and 1995 allowed for the issuance of \$2.4 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds), of which no more than \$120 million may be issued in any fiscal year. As of June 30, 2005, the General Assembly had authorized \$2.28 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$2.04 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

A 1968 constitutional amendment authorized the issuance of Highway Obligations in amounts up to \$100 million in any calendar year, with no more than \$500 million in principal amount outstanding at any one time. The aggregate of General Assembly authorizations, as of June 30, 2005, for Highway Obli-

gations, was approximately \$1.75 billion, all of which had been issued.

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2005, the General Assembly had authorized the issuance of \$165 million in Coal Research and Development Bonds, of which \$150 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$301 million, as of June 30, 2005 of which \$265 million had been issued.

The State may issue Conservation Projects Bonds up to \$200 million. No more than \$50 million may be issued during a fiscal year. As of June 30, 2005, the General Assembly had authorized the issuance of approximately \$150 million in Conservation Projects Bonds of which \$100 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2005, are presented in the table on the following page.

For the year ended June 30, 2005, NOTE 15 summarizes changes in general obligation bonds.





**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities  
Summary of General Obligation Bonds  
and Future Funding Requirements  
As of June 30, 2005**  
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities .....	2000-05	3.2%-5.4%	2025	\$2,075,129	\$ 845,000
Higher Education Capital Facilities .....	2000-05	3.6%-5.4%	2025	1,420,237	777,000
Highway Capital Improvements .....	1997-05	3.0%-5.0%	2015	822,488	695,000
Infrastructure Improvements .....	1990-05	2.0%-7.6%	2024	1,408,528	240,014
Coal Research and Development .....	1996-04	2.4%-5.0%	2013	41,643	15,000
Natural Resources Capital Facilities .....	1995-05	3.0%-5.2%	2020	179,281	36,000
Conservation Projects .....	2002-04	3.5%-4.3%	2019	91,897	50,000
Total General Obligation Bonds .....				<u>\$6,039,203</u>	<u>\$2,658,014</u>

**Future Funding of Current Interest and Capital Appreciation Bonds:**

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2006 .....	\$ 413,290	\$ 240,869	\$ (52)	\$ 654,107
2007 .....	412,695	225,768	(42)	638,421
2008 .....	408,990	209,016	(32)	617,974
2009 .....	398,800	191,341	(22)	590,119
2010 .....	388,185	173,717	(11)	561,891
2011-2015 .....	1,656,120	626,942	—	2,283,062
2016-2020 .....	1,076,155	310,584	—	1,386,739
2021-2025 .....	644,225	65,503	—	709,728
Total Current Interest and Capital Appreciation Bonds .....	<u>\$5,398,460</u>	<u>\$2,043,740</u>	<u>\$(159)</u>	<u>\$7,442,041</u>

**Future Funding of Variable-Rate Bonds:**

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2006 .....	\$ 8,975	\$ 13,720	\$ 5,879	\$ 28,574
2007 .....	9,030	13,703	5,870	28,603
2008 .....	9,095	13,669	5,805	28,569
2009 .....	9,195	13,631	5,562	28,388
2010 .....	11,145	13,374	5,233	29,752
2011-2015 .....	102,790	61,992	22,658	187,440
2016-2020 .....	242,900	37,322	15,178	295,400
2021-2025 .....	158,110	10,442	4,211	172,763
Total Variable-Rate Bonds .....	<u>551,240</u>	<u>\$177,853</u>	<u>\$70,396</u>	<u>\$799,489</u>
Total General Obligation Bonds .....	5,949,700			
Unamortized Discount/ (Premium), Net .....	150,548			
Deferred Refunding Loss .....	(61,045)			
Total Carrying Amount .....	<u>\$6,039,203</u>			

For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the above interest and net swap payment amounts are based on rates, as of June 30, 2005. As rates vary, variable-rate bond interest payments and net swap payments vary.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Interest Rate Swaps**

As of June 30, 2005, approximately \$576.6 million of issued Infrastructure Improvement Bonds and Common Schools Bonds include associated interest-rate swaps. The State has also entered into \$200 million of forward-starting interest-rate swaps for bonds currently scheduled to be issued during fiscal year 2006. Terms of the swap agreements are provided below. Fair value has been estimated using quoted market value. Rates marked with an (\*) indicate a weighted-average rate based on payment dates.

Primary Government-Governmental Activities Interest Rate Swaps As of June 30, 2005 (dollars in thousands)								
Issue	Type of Swap	Original Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/05	State's Swap Rate at 06/30/05	Effective Date	Termination (Maturity) Date	Fair Value
Infrastructure Improvements, Series 2001B	Floating to fixed knock-out	\$63,900	BMA Index	*2.33%	4.63%	11/29/01	08/01/21	\$(8,551)
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003B	Floating to fixed	\$104,315	Actual Bond Rate	2.62%	2.96%	02/26/03	08/01/08	\$(165)
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003D	Floating to fixed	\$58,085	Actual Bond Rate	2.62%	3.04%	03/20/03	02/01/10	\$(12)
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Series 2003F	Fixed to floating	\$30,115	BMA Index	2.54%	*2.33%	12/04/03	02/01/10	\$(284)
Credit Quality Ratings of Counterparty: Aa3/AA- JP Morgan Chase								
Infrastructure Improvements, Refunding Series 2004A	Floating to fixed Enhanced LIBOR	\$58,725	LIBOR (see terms below)	2.14%	3.51%	03/03/04	02/01/23	\$(3,187)
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services Terms: 68% of LIBOR (1-month LIBOR > 5.0%) or 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)								
Common Schools, Series 2003D	Fixed to floating	\$67,000	BMA Index	2.67%	*2.42%	12/15/03	09/01/07	\$(378)
Credit Quality Ratings of Counterparties: 50% Aa3/AA- JP Morgan Chase; 50% Aa3/A+ Morgan Stanley Capital Services								
Common Schools, Series 2005A	Floating to fixed	\$100,000	BMA Index	*2.42%	4.08%	04/01/05	03/15/25	\$(4,646)
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa3/AA- JP Morgan Chase								
Common Schools, Series 2005B	Floating to fixed	\$100,000	BMA Index	*2.42%	4.08%	04/01/05	03/15/25	\$(4,646)
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa3/AA- JP Morgan Chase								
Common Schools, 2006-Series to be determined	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	N/A	N/A	06/15/06	06/15/26	\$(418)
Credit Quality Ratings of Counterparties: 50% Aa2/AA+ UBS AG; 50% Aa2/AA- Royal Bank of Canada; Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, 2006-Series to be determined	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	N/A	N/A	06/15/06	06/15/26	\$(418)
Credit Quality Ratings of Counterparties: 50% Aa2/AA+ UBS AG; 50% Aa2/AA- Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points								



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State would be liable to the counterparty for a payment at the swap's fair value. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No such credit events have occurred.

Interest rate risk, rollover risk, basis risk, and credit risk vary for each interest rate swap. Discussion of these risks is included below, when applicable to the swap.

*Infrastructure Improvements-Series 2001B*

The State entered into an interest rate swap to convert the Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates. This structure produced expected present value savings of approximately \$2 million versus a traditional fixed-rate bond structure.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

In addition, the swap has a knock-out option. In the event the 180-day average of the BMA index rate exceeds seven percent, the counterparty can knock-out (cancel) the swap. If the counterparty exercises

its option to cancel, the State would be exposed to higher floating rates.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. BMA is a proxy for the State's variable-rate debt.

*Infrastructure Improvements-  
Refunding Series 2003B*

The State entered into an interest rate swap to convert the Series 2003B variable-rate refunding bonds into a synthetic fixed rate through the escrow period to protect the State from rising interest rates. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings of \$8.4 million.

The swap matures on August 1, 2008, and the Series 2003 variable-rate bonds mature on August 1, 2017. This mismatch in terms allows the State to increase its variable rate exposure after August 1, 2008, which is consistent with its long-term asset/liability management policy objective.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Infrastructure Improvements-  
Refunding Series 2003D*

The State entered into an interest rate swap to convert the Series 2003D variable-rate refunding bonds into a synthetic fixed rate through the escrow period that protects the State from rising interest rates. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings of \$4.9 million.

The swap matures on February 1, 2010, and the Series 2003 variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1, 2010, which is consistent with its long-term asset/liability management policy objective.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Infrastructure Improvements-Series 2003F*

The State entered into an interest rate swap to convert a portion of the Series 2003F fixed-rate bonds into a synthetic variable rate. The combination of fixed-rate bonds and a fixed-to-floating swap creates synthetic variable-rate debt that is exposed to changing interest rates. The borrowing cost is less than the traditional variable borrowing cost for an expected present value savings of \$.2 million.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Infrastructure Improvements-  
Refunding Series 2004A*

The State entered into an interest rate swap to convert the Series 2004A variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable rate debt but would not impact the variable rate swap receipt based on the LIBOR index.

The swap has an embedded floor. When the one-month LIBOR rate falls below five percent, the State

will receive a pay off of the swap from the counterparty. This floor reduces the basis risk when rates are below five percent.

*Common Schools-Series 2003D*

The State entered into an interest rate swap to convert its Common Schools, Series 2003D fixed-rate bonds into a synthetic variable rate. Through the swap, the State achieves variable rate exposure synthetically at a rate equal to the BMA index less 21.5 basis points.

The swap matures on September 1, 2007, and the Common Schools, Series 2003D bonds mature March 15, 2024. Upon expiration of the swap, the bonds are expected to change from a synthetic variable rate to a natural variable rate.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Common Schools-Series 2005A*

The State entered into an interest rate swap to convert its Common Schools, Series 2005A variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. BMA is a proxy for the State's variable-rate debt.

*Common Schools-Series 2005B*

The State entered into an interest rate swap to convert its Common Schools, Series 2005B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. BMA is a proxy for the State's variable-rate debt.

*Common Schools-2006 Series to be determined*

The State entered into two forward-starting interest rate swaps to convert two series of future Common Schools variable-rate bonds into synthetic fixed rates. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because both swaps had a negative fair value at June 30, 2005. However, should interest rates change and the fair value of the swaps becomes positive, the State would be exposed to credit risk in the amount of the fair value of the derivatives.

These swaps expose the State to basis risk or a mismatch (shortfall) between the floating rate received on the swaps and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swaps higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable rate debt but would not impact the variable rate swap receipt based on the LIBOR index.

**Advance Refundings**

During fiscal year 2005, there were three advance refundings of general obligation bonds as follows:

The State issued approximately \$39.5 million in Infrastructure Improvements refunding bonds (Series 2004C) with a true interest cost rate of 3.4 percent to defease approximately \$40.5 million (in substance). Net refunding bond proceeds of \$43.4 million (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old

bonds. As a result of the refunding, the State's debt service payments will be reduced by \$2.5 million over the next 11 years. The net economic gain from the refunding was \$1.6 million.

The State issued approximately \$18.9 million in Common Schools refunding bonds (Series 2004C) with a true interest cost rate of 3.4 percent to defease approximately \$20 million (in substance). Net refunding bond proceeds of \$20.9 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$1.7 million over the next 11 years. The net economic gain from the refunding was \$1 million.

The State issued approximately \$47.4 million in Natural Resources refunding bonds (Series J) with a true interest cost rate of 3.3 percent to defease approximately \$45.2 million (in substance). Net refunding bond proceeds of \$48.8 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$3.3 million over the next 11 years. The net economic gain from the refunding was \$2.1 million.

Proceeds of the new bonds are placed in irrevocable trusts to provide for all future debt service payments of the old bonds. These amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

In addition to the general obligation bonds defeased during fiscal year 2005, the Treasurer of State has defeased other Infrastructure Improvement Bonds, Natural Resources Bonds, Common Schools Bonds, and Higher Education Bonds in prior years and placed the proceeds in irrevocable trusts. As of June 30, 2005, the balances in these trusts for bonds defeased in prior years were \$442.2 million for Infrastructure Improvement Bonds, \$8.4 million for Natural Resources Bonds, \$57.6 million for Common Schools Bonds, and \$56.2 million for Higher Education Bonds.



**NOTE 11 REVENUE BONDS AND NOTES**

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation, the Treasurer of State for the Ohio Department of Development's Office of Financial Incentives, and the Ohio Department of Transportation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

**A. Primary Government**

Economic Development bonds, issued by the Treasurer of State for the Office of Financial Incentive's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State for economic development projects that create or retain jobs in the State. The taxable bonds are backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution. During fiscal year 2005, the Treasurer of State issued \$50 million in Economic Development bonds.

Revitalization Project revenue bonds provide financing to enable the remediation or clean up of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The Revitalization Project bonds are also

backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

Since fiscal year 1998, the Treasurer of State has issued a total of \$439 million in State Infrastructure Bank Bonds for various highway construction projects sponsored by the Department of Transportation. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds accounted for in business-type activities finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus and other office buildings and related facilities constructed by the OBA for shared use by local governments. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2005, are presented in the table below.

For the year ended June 30, 2005, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2005, are presented in the table at the top of the following page.

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series

**Primary Government  
Revenue Bonds  
As of June 30, 2005**  
(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
<b>Governmental Activities:</b>				
Treasurer of State:				
Economic Development .....	1997-05	3.8%-7.8%	2025	\$278,974
State Infrastructure Bank .....	1998-04	2.0%-5.0%	2011	264,375
Revitalization Project.....	2003	3.0%-5.0%	2018	48,539
Total Governmental Activities.....				<u>591,888</u>
<b>Business-Type Activities:</b>				
Bureau of Workers' Compensation .....	2003	1.6%-4.0%	2014	142,202
Ohio Building Authority.....	1997-04	2.0%-6.0%	2008	8,861
Total Business-Type Activities.....				<u>151,063</u>
Total Revenue Bonds .....				<u><u>\$742,951</u></u>



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Primary Government  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2005**  
(dollars in thousands)

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006 .....	\$ 64,460	\$ 31,462	\$ 95,922	\$ 15,237	\$ 6,770	\$ 22,007	\$ 79,697	\$ 38,232	\$ 117,929
2007 .....	65,605	28,325	93,930	18,803	6,050	24,853	84,408	34,375	118,783
2008 .....	66,830	25,062	91,892	17,741	5,337	23,078	84,571	30,399	114,970
2009 .....	59,310	21,861	81,171	16,005	4,606	20,611	75,315	26,467	101,782
2010 .....	45,015	18,923	63,938	15,930	3,867	19,797	60,945	22,790	83,735
2011-2015 .....	98,085	70,291	168,376	62,870	7,730	70,600	160,955	78,021	238,976
2016-2020 .....	104,020	40,192	144,212	—	—	—	104,020	40,192	144,212
2021-2025 .....	72,235	8,685	80,920	—	—	—	72,235	8,685	80,920
	575,560	244,801	820,361	146,586	34,360	180,946	722,146	279,161	1,001,307
Net Unamortized Premium/(Discount) .....	16,328	—	16,328	8,480	—	8,480	24,808	—	24,808
Deferred Refunding Loss ..	—	—	—	(4,003)	—	(4,003)	(4,003)	—	(4,003)
Total .....	<u>\$591,888</u>	<u>\$244,801</u>	<u>\$836,689</u>	<u>\$151,063</u>	<u>\$34,360</u>	<u>\$185,423</u>	<u>\$742,951</u>	<u>\$279,161</u>	<u>\$1,022,112</u>

1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately \$102 million in Series 1998 Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 2005, no obligation for the refunding bonds has been included in the financial statements.

In prior years, the OBA defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2005, \$826 thousand of OBA revenue bonds are considered defeased and no longer outstanding.

**B. Component Units**

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 2004, approximately \$1.2 billion in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 2004, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2005 .....	\$ 42,240	\$ 60,658	\$ 102,898
2006 .....	49,560	58,335	107,895
2007 .....	52,920	55,945	108,865
2008 .....	61,080	53,606	114,686
2009 .....	61,260	47,426	108,686
2010-2014 .....	356,000	185,607	541,607
2015-2019 .....	332,080	97,812	429,892
2020-2024 .....	201,705	25,250	226,955
2025-2029 .....	8,940	223	9,163
	1,165,785	584,862	1,750,647
Net Unamortized Premium/(Discount) ..	66,766	—	66,766
Deferred Refunding Loss .....	(23,200)	—	(23,200)
Total .....	<u>\$1,209,351</u>	<u>\$584,862</u>	<u>\$1,794,213</u>

Generally, bonds and notes issued by the state universities and state community colleges are payable



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Major Component Units  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2005**  
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/04)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005 .....	\$ 111,700	\$ 108,592	\$220,292						
2006 .....	144,350	102,801	247,151	\$473,739	\$ 24,139	\$ 497,878	\$ 44,611	\$ 32,033	\$ 76,644
2007 .....	142,885	97,050	239,935	17,552	17,686	35,238	26,885	30,181	57,066
2008 .....	96,060	91,445	187,505	19,588	17,118	36,706	32,420	29,061	61,481
2009 .....	118,320	83,477	201,797	18,659	16,470	35,129	27,270	27,839	55,109
2010 .....	—	—	—	19,145	15,762	34,907	27,540	26,742	54,282
2010-2014 .....	621,150	385,313	1,006,463	—	—	—	—	—	—
2011-2015 .....	—	—	—	96,208	66,627	162,835	150,225	115,326	265,551
2015-2019 .....	536,130	190,759	726,889	—	—	—	—	—	—
2016-2020 .....	—	—	—	78,865	45,889	124,754	173,120	78,993	252,113
2020-2024 .....	353,195	59,658	412,853	—	—	—	—	—	—
2021-2025 .....	—	—	—	60,585	26,216	86,801	142,070	42,758	184,828
2025-2029 .....	55,350	9,837	65,187	—	—	—	—	—	—
2026-2030 .....	—	—	—	49,565	12,800	62,365	106,235	15,114	121,349
2030-2034 .....	17,800	2,107	19,907	—	—	—	—	—	—
2031-2035 .....	—	—	—	21,996	1,810	23,806	17,825	652	18,477
	2,196,940	1,131,039	3,327,979	855,902	244,517	1,100,419	748,201	398,699	1,146,900
Net Unamortized									
Premium/(Discount) .....	86,141	—	86,141	—	—	—	1,804	—	1,804
Deferred Refunding Loss ..	(39,132)	—	(39,132)	—	—	—	—	—	—
Total .....	\$2,243,949	\$1,131,039	\$3,374,988	\$855,902	\$244,517	\$1,100,419	\$750,005	\$398,699	\$1,148,704

from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of educational and student residence facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$140.3 million in bonds had adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2004, the rate for the variable-rate bonds was 2 percent.

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2005, are presented in the above table.

**NOTE 12 SPECIAL OBLIGATION BONDS**

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments. Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher edu-

cation, mental health and retardation institutions, and parks and recreation. Prior to September 14, 2000, when House Bill 640 became effective and reassigned the issuing authority for these obligations to the Treasurer of State, the Ohio Public Facilities Commission issued the Chapter 154 bonds.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of Education, finance the construction costs of capital facilities for local school districts.





**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities  
Special Obligation Bonds  
As of June 30, 2005  
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
<b>Ohio Building Authority .....</b>	1986-05	2.0%-9.8%	2025	\$2,266,563	\$261,910
<b>Treasurer of State:</b>					
Chapter 154 Bonds:					
Higher Education Facilities .....	1996-05	3.2%-5.6%	2014	964,186	—
Mental Health Facilities .....	1996-05	3.1%-5.3%	2019	255,059	72,915
Parks and Recreation Facilities .....	1998-05	2.5%-5.5%	2020	134,363	22,000
Elementary and Secondary Education....	1997-99	3.5%-5.6%	2008	79,765	—
Total Special Obligation Bonds .....				<u>\$3,699,936</u>	<u>\$356,825</u>

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

Pledges of lease rental payments from appropriations made to the General Fund, Highway Safety and Highway Operating Special Revenue funds, and Underground Parking Garage Enterprise Fund, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2005, are presented in above table.

Future special obligation debt service requirements, as of June 30, 2005, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2006 .....	\$ 453,779	\$ 176,517	\$ 630,296
2007 .....	451,957	149,961	601,918
2008 .....	440,594	128,522	569,116
2009 .....	332,565	108,778	441,343
2010 .....	321,340	92,140	413,480
2011-2015 .....	1,064,875	266,149	1,331,024
2016-2020 .....	430,295	87,877	518,172
2021-2025 .....	144,780	17,090	161,870
	<u>3,640,185</u>	<u>1,027,034</u>	<u>4,667,219</u>
Net Unamortized Premium/ (Discount) .....	150,232	—	150,232
Deferred Refunding Loss .....	(90,481)	—	(90,481)
Total .....	<u>\$3,699,936</u>	<u>\$1,027,034</u>	<u>\$4,726,970</u>

For the year ended June 30, 2005, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2005, the OBA defeased a number of special obligation bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an advance refunding represents the difference between the present values of the debt service payments on the old and new debt. Details on the advance refundings for fiscal year 2005 are presented in the table on the following page.

In prior years, the OBA and the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2005, \$135 million and \$351.7 million of OBA and Chapter 154 special obligation bonds, respectively, are considered defeased and no longer outstanding.



**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

<b>Primary Government — Governmental Activities</b> <b>Special Obligation Bonds</b> <b>Details of Advance Refundings</b> <b>For the Year Ended June 30, 2005</b> <i>(dollars in thousands)</i>							
Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded <i>(in substance)</i>	Refunding Bond Proceeds Placed in Escrow	Reduction in Debt Service Payments	Economic Gain Resulting from Refunding
Ohio Building Authority:							
State Facilities (Administrative Building), Series 2004B .....	10/21/04	\$130,750	3.6%	\$132,412	\$142,615	\$4,278 over next 15 years	\$ 3,655
State Facilities (Adult Correctional Building), Series 2004C .....	10/21/04	225,350	3.6%	228,152	248,592	\$11,232 over next 15 years	8,179
State Facilities (Administrative Building), Series 2005B .....	3/30/05	29,150	3.5%	29,644	31,172	\$997 over next 7 years	895
Treasurer of State Chapter 154:							
Higher Education Facilities, Series II-2004A .....	10/5/04	173,975	3.5%	177,000	189,488	\$9,913 over next 9 years	5,230
Mental Health Facilities, Series II- 2004A .....	10/5/04	30,035	3.5%	30,415	32,455	\$1,808 over next 8 years	946
Parks and Recreation Facilities, Series II-2004B .....	10/5/04	11,740	3.5%	10,640	11,592	\$693 over next 10 years	484
Total.....		<u>\$601,000</u>		<u>\$608,263</u>	<u>\$655,914</u>		<u>\$19,389</u>

**NOTE 13 CERTIFICATES OF PARTICIPATION**

As of June 30, 2005, approximately \$92.1 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also participated in the issuance of \$10.2 million in COP obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties. In fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$79.2 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system.

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund, the OAKS Certificates of Participation Debt Service Fund, and the General Fund (subject to bi-

ennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2005, are presented in the table at the top of the following page.

As of June 30, 2005, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2006 .....	\$ 1,005	\$ 3,265	\$ 4,270
2007 .....	800	4,291	5,091
2008 .....	6,780	4,101	10,881
2009 .....	7,125	3,758	10,883
2010 .....	7,495	3,387	10,882
2011-2015 .....	42,300	10,597	52,897
2016-2017 .....	19,215	1,022	20,237
	84,720	30,421	115,141
Net Unamortized Premium .....	7,422	—	7,422
Total .....	<u>\$92,142</u>	<u>\$30,421</u>	<u>\$122,563</u>



**NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)**

**Primary Government — Governmental Activities**  
**Certificate of Participation Obligations**  
**As of June 30, 2005**  
(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project.....	1992	6.5%	2012	\$ 4,675
Rickenbacker Port Authority Improvements.....	1996	6.1%	2007	860
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS).....	2005	3.8%	2017	86,607
Total Certificates of Participation .....				<u>\$92,142</u>

For the year ended June 30, 2005, NOTE 15 summarizes changes in COP obligations.

For the State's component units, approximately \$28.5 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at The Ohio State Uni-

versity, the University of Cincinnati, and the University of Akron.

As of June 30, 2005, future commitments under the COP financing arrangements for the State's component units are detailed in the table below.

**Component Units**  
**Future Funding Requirements for Certificate of Participation Obligations**  
**As of June 30, 2005**  
(dollars in thousands)

Year Ending June 30,	Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total
2006 .....	\$ 355	\$ 294	\$ 649	\$ 30	\$15	\$ 45
2007 .....	360	277	637	30	14	44
2008 .....	390	260	650	35	11	46
2009 .....	405	242	647	35	10	45
2010 .....	425	222	647	35	7	42
2011-2015 .....	2,455	773	3,228	105	11	116
2016-2020 .....	1,790	136	1,926	—	—	—
2021-2025 .....	—	—	—	—	—	—
2026-2030 .....	—	—	—	—	—	—
2031-2035 .....	—	—	—	—	—	—
Total .....	<u>\$6,180</u>	<u>\$2,204</u>	<u>\$8,384</u>	<u>\$270</u>	<u>\$68</u>	<u>\$338</u>

Year Ending June 30,	University of Akron			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2006 .....	\$ 140	\$ 1,585	\$ 1,725	\$ 525	\$ 1,894	\$ 2,419
2007 .....	275	1,450	1,725	665	1,741	2,406
2008 .....	295	1,430	1,725	720	1,701	2,421
2009 .....	315	1,410	1,725	755	1,662	2,417
2010 .....	340	1,385	1,725	800	1,614	2,414
2011-2015 .....	2,095	6,530	8,625	4,655	7,314	11,969
2016-2020 .....	2,960	5,665	8,625	4,750	5,801	10,551
2021-2025 .....	4,090	4,535	8,625	4,090	4,535	8,625
2026-2030 .....	5,580	3,045	8,625	5,580	3,045	8,625
2031-2035 .....	5,910	990	6,900	5,910	990	6,900
Total .....	<u>\$22,000</u>	<u>\$28,025</u>	<u>\$50,025</u>	<u>\$28,450</u>	<u>\$30,297</u>	<u>\$58,747</u>



**NOTE 14 OTHER NONCURRENT LIABILITIES**

As of June 30, 2005, in addition to bonds and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

**Governmental Activities:**

Compensated Absences .....	\$ 397,617
Capital Leases Payable .....	2,471
Estimated Claims Payable .....	6,623
Liability for Escheat Property .....	203,501
Total Governmental Activities .....	<u>610,212</u>

**Business-Type Activities:**

Compensated Absences .....	35,683
Capital Leases Payable .....	205
Workers' Compensation:	
Unearned Revenue .....	389,332
Benefits Payable .....	15,116,014
Other .....	1,862,304
Deferred Prize Awards Payable .....	843,418
Tuition Benefits Payable .....	1,106,800
Workers Compensation Claims-	
Auditor of State's Office.....	9,528
Total Business-Type Activities .....	<u>19,363,284</u>
Total Primary Government.....	<u>\$19,973,496</u>

For the year ended June 30, 2005, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

**A. Compensated Absences**

For the primary government, the compensated absences liability, as of June 30, 2005, was \$433.3 million, of which \$397.6 million is allocable to governmental activities and \$35.7 million is allocable to business-type activities.

As of June 30, 2005, discretely presented major component units reported a total of \$144.8 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

**B. Lease Agreements**

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewal options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 2005 were approximately \$83.7 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2005, were as follows (dollars in thousands):

**Primary Government**

Year Ending June 30,	Operating Leases
2006 .....	\$ 6,033
2007 .....	2,518
2008 .....	1,114
2009 .....	970
2010 .....	73
Total minimum lease payments .....	<u>\$10,708</u>

**Capital Leases**

Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2006 .....	\$1,338	\$ 82	\$1,420
2007 .....	877	81	958
2008 .....	494	58	552
2009 .....	64	10	74
2010 .....	5	2	7
Total Minimum Lease Payments .....	2,778	233	3,011
Amount for interest .....	(307)	(28)	(335)
Present Value of Net Minimum Lease Payments .....	<u>\$2,471</u>	<u>\$205</u>	<u>\$2,676</u>



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

As of June 30, 2005, the primary government had the following capital assets under capital leases (dollars in thousands):

	Primary Government		
	Govern- mental Activities	Business- Type Activities	Total
Equipment ....	\$5,572	\$168	\$5,740

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense.

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the discretely presented major component unit funds, as of June 30, 2005, are presented in the table below.

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2006 .....	\$ 6,919	\$ 11,042
2007 .....	4,892	11,491
2008 .....	2,146	11,694
2009 .....	842	12,725
2010 .....	650	12,551
2011-2015 .....	1,006	52,521
2016-2020 .....	—	42,012
2021-2025 .....	—	34,414
2026-2030 .....	—	9,380
Total Minimum Lease Payments ...	16,455	197,830
Amount for interest .....	(997)	(71,030)
Present Value of Net Minimum Lease Payments ...	\$15,458	\$126,800
Equipment & Vehicles.....	\$46,955	\$ —
Buildings.....	—	141,909
Total .....	\$46,955	\$141,909

**C. Estimated Claims Payable**

For governmental activities, the State recognized \$3.4 million in estimated claims liabilities, as of June 30, 2005, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

Additionally, the State reported \$3.2 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Program at the Ohio Department of Development, as of June 30, 2005. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

**D. Liability for Escheat Property**

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2005, this liability totaled approximately \$203.5 million.

**E. Workers' Compensation**

**Unearned Revenue**

Unearned revenue in the amount of \$389.3 million is reported as a noncurrent liability in the Workers' Compensation Enterprise Fund. This balance represents employer assessments for disabled workers benefits and for self-insuring employers guaranty deposits received or in the course of collection, but not yet recognized.

**Benefits Payable**

As discussed in NOTE 20A, the Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2005, in the amount of approximately \$15.12 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

**F. Deferred Prize Awards Payable**

The deferred prize awards payable in installments over future years totaling approximately \$843.4 million, as of June 30, 2005, is reported at present value based upon interest rates the Treasurer of State provides the Lottery Commission Enterprise Fund. The interest rates, ranging from four to 11.69 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method.

Future payments of prize awards, stated at present value, as of June 30, 2005, follow (dollars in thousands):

Year Ending June 30,	
2006.....	\$197,646
2007.....	116,373
2008.....	100,875
2009.....	85,453
2010.....	68,452
2011-2015.....	327,561
2016-2020.....	250,950
2021-2025.....	104,402
	1,251,712
Unamortized Discount.....	(408,294)
Net Prize Liability .....	<u>\$843,418</u>

The State reduces prize liabilities by an estimate of the amount of prizes that will ultimately be unclaimed.

**G. Tuition Benefits Payable**

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund were approximately \$1.11 billion, as of June 30, 2005. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases at state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: seven percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of eight percent for Fall 2006 and 10 percent thereafter; and a 2.5 percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Deficit, as of June 30, 2004 .....	\$(294.6)
Interest on the Deficit at 7.0 Percent.....	(20.6)
Investment Gain.....	11.0
Lower-Than-Assumed Tuition Increase .....	37.7
More Units/Credits Redeemed Than Expected .....	0.7
Lower-Than-Expected Credit Payouts.....	0.1
Interest Gain on Late Tuition Payouts.....	0.5
Change in Assumptions .....	19.0
Change in Credit Bias .....	.6
Other.....	(4.4)
	(250.0)
Value of Future Contingent Payments for Variable Investment Options.....	48.8
Actuarial Deficit, as of June 30, 2005 .....	<u>\$(201.2)</u>

As of June 30, 2005, the market value of actuarial net assets available for payment of the tuition benefits payable was \$856.8 million.

**H. Other Liabilities**

The Workers' Compensation Enterprise Fund reports approximately \$1.86 billion in other noncurrent liabilities, as of June 30, 2005, of which 1.) \$1.71 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20A., 2.) \$87 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$67.6 million consists of other miscellaneous liabilities.

Additionally, the Office of the Auditor of State Enterprise Fund reports \$9.5 million in other liabilities for estimated workers' compensation claims payable. For the payment of the claims, the General Fund transfers resources to the Office of the Auditor of State Enterprise Fund. As claims expenses are incurred, transfers from the General Fund are accrued.

Accordingly, the General Fund reported an interfund payable to the Bureau of Workers' Compensation Enterprise Fund in an amount equal to the workers' compensation claims payable reported in the Office of Auditor of State Enterprise Fund, as of June 30, 2005 (See NOTE 7A.).



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 15 CHANGES IN NONCURRENT LIABILITIES**

**Primary Government**

Changes in noncurrent liabilities, for the year ended June 30, 2005, are presented for the primary government in the following table.

<b>Primary Government</b> <b>Changes in Noncurrent Liabilities</b> <b>For the Fiscal Year Ended June 30, 2005</b> <i>(dollars in thousands)</i>					
	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amount Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10) .....	\$ 5,420,711	\$1,171,222	\$ (552,730)	\$ 6,039,203	\$ 422,591
Revenue Bonds (NOTE 11) .....	607,958	50,784	(66,854)	591,888	65,124
Special Obligation Bonds (NOTE 12) .....	3,914,168	925,544	(1,139,776)	3,699,936	456,690
Total Bonds and Notes Payable .....	9,942,837	2,147,550	(1,759,360)	10,331,027	944,405
Certificates of Participation (NOTE 13) .....	6,480	86,607	(945)	92,142	1,005
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	382,208	347,668	(332,259)	397,617	44,433
Capital Leases Payable .....	3,460	334	(1,323)	2,471	1,199
Estimated Claims Payable .....	6,552	1,391	(1,320)	6,623	1,578
Liability for Escheat Property .....	173,935	77,843	(48,277)	203,501	65,446
Total Other Noncurrent Liabilities .....	566,155	427,236	(383,179)	610,212	112,656
Noncurrent Liabilities .....	10,515,472	\$2,661,393	\$(2,143,484)	\$11,033,381	\$1,058,066
Prior Period Adjustment::					
Estimated Claims Payable (NOTE 2) .....	(3,000)				
Account Reclassifications:					
Special Obligation Bonds Payable .....	(9,688)				
Estimated Claims Payable .....	(3,552)				
Noncurrent Liabilities, as previously reported for June 30, 2004 .....	<u>\$10,499,232</u>				
<b>Business-Type Activities:</b>					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11) .....	\$ 158,578	\$ 1,326	\$ (8,841)	\$ 151,063	\$ 15,237
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	34,563	30,780	(29,660)	35,683	1,331
Capital Leases Payable .....	30,368	168	(30,331)	205	66
Workers' Compensation:					
Unearned Revenue .....	394,319	11,348	(16,335)	389,332	17,181
Benefits Payable .....	14,619,873	2,582,141	(2,086,000)	15,116,014	1,746,891
Other:					
Adjustment Expenses Liability .....	1,647,199	314,521	(254,000)	1,707,720	466,520
Premium Payment Security Deposits .....	85,679	3,516	(2,203)	86,992	—
Miscellaneous .....	17,142	70,786	(20,336)	67,592	11,506
Deferred Prize Awards Payable .....	856,903	159,730	(173,215)	843,418	148,402
Tuition Benefits Payable .....	1,141,700	21,633	(56,533)	1,106,800	67,300
Workers' Compensation Claims- Auditor of State's Office .....	7,828	1,700	—	9,528	539
Total Other Noncurrent Liabilities .....	18,835,574	3,196,323	(2,668,613)	19,363,284	2,459,736
Noncurrent Liabilities .....	18,994,152	\$3,197,649	\$(2,677,454)	\$19,514,347	\$2,474,973
Account Reclassifications:					
Revenue Bonds Payable .....	(41)				
Noncurrent Liabilities, as previously reported for June 30, 2004 .....	<u>\$18,994,111</u>				



**NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)**

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2005, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on

the Statement of Activities under the expense category for interest on long-term debt.

	(in 000s)
<b>Governmental Activities:</b>	
Primary, Secondary and Other Education	\$102,667
Higher Education Support .....	120,240
Environmental Protection and Natural Resources .....	597
Transportation .....	4
Community and Economic Development	112,609
Total Interest Expense	
Charged to Governmental Functions..	<u>\$336,117</u>

**Component Units**

Changes in noncurrent liabilities, for the year ended June 30, 2005 (December 31, 2004 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented major component units.

**Major Component Units  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2005**  
(dollars in thousands)

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amount Due Within One Year
<i>School Facilities Commission:</i>					
Intergovernmental Payable .....	\$1,990,909	\$ 816,408	\$ (465,890)	\$2,341,427	\$784,640
Compensated Absences* .....	523	473	(441)	555	93
Total .....	<u>\$1,991,432</u>	<u>\$ 816,881</u>	<u>\$ (466,331)</u>	<u>\$2,341,982</u>	<u>\$784,733</u>
<i>Ohio Water Development Authority:</i>					
Revenue Bonds & Notes Payable (NOTE 11).	\$1,560,981	\$ 886,347	\$ (203,379)	\$2,243,949	\$111,554
Compensated Absences* .....	142	19	—	161	20
Total .....	<u>\$1,561,123</u>	<u>\$ 886,366</u>	<u>\$ (203,379)</u>	<u>\$2,244,110</u>	<u>\$111,574</u>
<i>Ohio State University:</i>					
Unearned Revenue .....	\$ 93,954	\$1,694,584	\$(1,687,868)	\$ 100,670	\$ 96,670
Compensated Absences* .....	70,518	13,802	(5,568)	78,752	5,568
Capital Leases Payable* .....	15,010	6,784	(6,336)	15,458	6,486
Other Liabilities* .....	115,969	7,696	(5,381)	118,284	4,572
Revenue Bonds & Notes Payable (NOTE 11).	792,696	163,403	(100,197)	855,902	473,739
Certificates of Participation (NOTE 13) .....	6,900	—	(720)	6,180	355
Total .....	<u>\$1,095,047</u>	<u>\$1,886,269</u>	<u>\$(1,806,070)</u>	<u>\$1,175,246</u>	<u>\$587,390</u>
<i>University of Cincinnati:</i>					
Compensated Absences* .....	\$ 62,471	\$ 2,928	\$ (110)	\$ 65,289	\$ 35,550
Capital Leases Payable* .....	131,151	52,816	(57,167)	126,800	4,659
Other Liabilities* .....	33,050	83,189	(80,435)	35,804	1,077
Revenue Bonds & Notes Payable (NOTE 11).	761,070	149,886	(160,951)	750,005	44,951
Certificates of Participation (NOTE 13) .....	840	—	(570)	270	30
Total .....	<u>\$ 988,582</u>	<u>\$ 288,819</u>	<u>\$ (299,233)</u>	<u>\$ 978,168</u>	<u>\$ 86,267</u>

\*Liability is reported under the "Refund and Other Liabilities" account.





**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 16 NO COMMITMENT DEBT**

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent limited obligations payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2005 (December 31, 2004 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
<b>Primary Government:</b>	
Ohio Department of Development:	
Ohio Housing Finance Agency .....	\$1,620,158
Ohio Enterprise Bond Program .....	163,560
Hospital Facilities Bonds .....	11,140
Total Primary Government.....	<u>\$1,794,858</u>
<b>Component Units (12/31/04):</b>	
Ohio Water Development Authority .....	\$2,132,300
Ohio Air Quality	
Development Authority .....	1,200,000
Total Component Units .....	<u>\$3,332,300</u>

**NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS**

**A. Fund Deficits**

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2005 (dollars in thousands):

Primary Government:

Major Governmental Funds:	
Job, Family and Other Human Services..	\$(114,508)
Nonmajor Governmental Funds:	
Mental Health and Retardation	
Special Revenue Fund .....	(9,119)
Total Governmental Funds .....	<u>\$(123,627)</u>

Primary Government (Continued):

Nonmajor Proprietary Funds:	
Tuition Trust Authority Enterprise Fund...	<u>\$ (242,141)</u>

Component Units:

School Facilities Commission Fund .....	<u>\$(1,965,752)</u>
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**B. "Other" Fund Balance Reserves and Designations**

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2005, are presented below.

**Primary Government**  
**Governmental Funds — Reserved for Other**  
**As of June 30, 2005**  
(dollars in thousands)

	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Compensated Absences .....	\$27,865	\$3,625	\$343	\$5,125	\$ 9,422	\$46,380
Prepays (included in "Other Assets").....	10,726	1,357	107	2,294	3,776	18,260
Advances to Local Governments.....	4,729	—	—	—	—	4,729
Ohio Enterprise Bond Program .....	—	—	—	—	10,000	10,000
Loan Guarantee Programs .....	84	—	—	—	3,675	3,759
Assets in Excess of						
Debt Service Requirements.....	—	—	—	—	866	866
Total Reserved for Other.....	<u>\$43,404</u>	<u>\$4,982</u>	<u>\$450</u>	<u>\$7,419</u>	<u>\$27,739</u>	<u>\$83,994</u>



**NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS (Continued)**

The unreserved fund balance for the General Fund, as of June 30, 2005, had been designated as follows, (dollars in thousands):

General Fund	
Budget Stabilization.....	\$568,377
Public Assistance Reconciliation- Payment for Portion of Questioned Costs-Federal Temporary Assistance for Needy Families Program ....	60,000
Disaster Services .....	40,000
Public School Building Program .....	50,000
Total General Fund.....	<u>\$718,377</u>

**NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS**

**A. Joint Ventures**

**Great Lakes Protection Fund (GLPF)**

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board except when restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio has applied its distribution (approximately \$63 thousand for the year ended December 31, 2004) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2004 (the GLPF's year-end), were as follows (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan .....	\$25,000	\$25,000	30.9%
Indiana* .....	16,000	—	—
Illinois .....	15,000	15,000	18.4
Ohio.....	14,000	14,000	17.3
New York.....	12,000	12,000	14.8
Wisconsin.....	12,000	12,000	14.8
Minnesota.....	1,500	1,500	1.9
Pennsylvania...	1,500	1,500	1.9
Total .....	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

\*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 2004, was as follows (dollars in thousands):

Cash and Investments .....	\$119,641
Other Assets .....	258
Total Assets .....	<u>\$119,899</u>
Total Liabilities .....	\$ 695
Total Net Assets.....	<u>119,204</u>
Total Liabilities and Net Assets.....	<u>\$119,899</u>
Total Revenues and Other Additions .....	\$ 12,419
Total Expenditures .....	(4,094)
Net Increase in Net Assets .....	<u>\$ 8,325</u>

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

**Local Community and Technical Colleges**

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.



**NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

The governing boards of the technical colleges consist of either seven or nine trustees, of which state officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC) and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2005 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
<b>Local Community Colleges:</b>			
Cuyahoga .....	\$ 53,104	\$ 3,468	\$ 56,572
Jefferson.....	3,976	383	4,359
Lakeland.....	16,805	1,045	17,850
Lorain County .....	25,219	798	26,017
Rio Grande .....	4,647	82	4,729
Sinclair.....	48,355	1,385	49,740
Total Local Community Colleges.....	152,106	7,161	159,267
<b>Technical Colleges:</b>			
Belmont .....	5,382	80	5,462
Central Ohio .....	6,266	82	6,348
Hocking .....	16,026	521	16,547
James A. Rhodes.....	7,958	1,142	9,100
Marion .....	4,773	162	4,935
Zane .....	5,019	—	5,019
North Central .....	8,017	—	8,017
Stark .....	13,853	1,119	14,972
Total Technical Colleges.....	67,294	3,106	70,400
Total .....	\$219,400	\$10,267	\$229,667

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

**B. Related Organizations**

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During fiscal year 2005, the State had the following related-party transactions with its related organizations:

- In December 2004, the Ohio Turnpike Commission received a one-time payment of \$23.4 million from the Highway Operating Fund at the Ohio Department of Transportation (ODOT) to help offset lost revenue expected to result from temporary toll rate reductions. As authorized under House Bill 406, the reductions apply to commercial trucks in certain weight classes (23,000 lbs to 90,000 lbs) for an 18-month period, which began January 1, 2005. Also, the Commission was refunded approximately \$1.2 million from the Highway Operating Fund as a settlement for the difference between the estimated costs funded by the Commission for turnpike projects undertaken and completed by ODOT and the actual costs of the projects. Finally, the Ohio Department of Taxation paid the Commission \$2.5 million from the Revenue Distribution Fund for the Commission's share of the State's motor vehicle fuel excise tax allocation.
- Separate funds, established for the Petroleum Underground Storage Tank Release Compensation Board and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$680 thousand in compensation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies and \$692 thousand in state assistance.



**NOTE 19 CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

Litigation is pending in the Cuyahoga County Court of Appeals relating to the transfer to the GRF and use in Fiscal Year 2002 for general state purposes of \$60 million in earned federal reimbursement on Title XX (Social Services Block Grant) expenditures. Plaintiff Cuyahoga County filed an action contesting this transfer and use of those monies for general state purposes, and the trial court ordered the State to return the monies to its Department of Job and Family Services. The State appealed the trial court's decision and order. In June 2005, the Court of Appeals upheld the trial court's decision. The State has appealed the Court of Appeals decision to the Ohio Supreme Court and that appeal is currently pending. No liability has been reported in the financial statements for this matter.

A class action complaint pending in the Eight District Court of Appeals contends that subrogation allowed under Section 4123.931, Ohio Revised Code, is unconstitutional. The Ohio Supreme Court in Holeton v. Crouse Cartage declared the subrogation statute unconstitutional. The trial court certified the class, granted summary judgment to the plaintiffs, and awarded attorney fees. The Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission have appealed the decision, and the appeal is currently pending. For this matter, a liability in the amount of \$50 million, as of June 30, 2005, has been included in the "Other Noncurrent Liabilities-Due in More Than One Year" account for business-type activities in the government-wide Statement of Net Assets and in the "Refund and Other Liabilities" account for the Workers' Compensation Enterprise Fund in the proprietary fund financial statements.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

**B. Federal Awards**

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal gov-

ernment or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2004 State of Ohio Single Audit (completed in 2005), \$155.6 million of federal expenditures, of which \$129.5 million applied to the Temporary Assistance to Need Families (TANF) Program (CFDA# 93.558), were in question as not being appropriate under the terms of the respective grants.

For the TANF Program, corrective action was taken in August 2005 when the Ohio Department of Job and Family Services returned \$38.5 million to the federal government and reduced its requests of funds from the federal government by \$91 million for eligible TANF costs incurred. The reduction in the TANF draw requests allowed the Department to properly claim \$91 million in administrative costs that were eligible for reimbursement under the Child Care Development Fund (CCDF) Program Cluster (CFDA# 93.575 and CFDA# 93.596); previously, these costs had been erroneously charged to the TANF Program. Consequently, the State has reflected the \$129.5 million liability for the TANF Program in the unearned revenue account and the \$91 million balance due for the CCDF Program Cluster in the intergovernmental receivable balance reported for governmental funds, as of June 30, 2005.

For the remaining \$26.1 million balance of questioned costs reported in the fiscal year 2004 Single Audit Report, no provision for any liability or adjustments has been recognized in the State's financial statements, for the fiscal year ended June 30, 2005.



**NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)**

**C. Construction Commitments**

As of June 30, 2005, the Ohio Department of Transportation had total contractual commitments of approximately \$1.84 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.21 billion, \$298.8 million, \$268.9 million, and \$58.3 million, respectively.

As of June 30, 2005, other major non-highway construction commitments for the primary government's budgeted capital projects funds were as follows (dollars in thousands):

<b>Primary Government</b>	
Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 33,851
Parks and Recreation Improvements .....	9,347
Administrative Services	
Building Improvements .....	39,562
Youth Services Building Improvements .....	20,212
Adult Correctional Building Improvements ..	43,378
Highway Safety Building Improvements .....	1,880
Ohio Parks and Natural Resources .....	10,949
Total .....	<u>\$159,179</u>

As of June 30, 2005, construction commitments for the State's discretely presented major component units were as follows (dollars in thousands):

<b>Major Component Units</b>	
Ohio State University.....	\$209,674
University of Cincinnati.....	266,237

**D. Tobacco Settlement**

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

While Ohio's share of the total base payments to the states through 2025 will not change over time, the amount of the annual payment is subject to a number of adjustments, including an inflation adjustment

and a volume adjustment. Some of these adjustments (for example, inflation) should contribute to an increase in the payments and others (for example, domestic cigarette sales volume) may decrease the payments. But the net effect of these adjustment factors on future payments is very uncertain, which makes it difficult to speculate on how different Ohio's real payments will be from the pre-adjusted base payment amounts.

In addition to the base payments, Ohio will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-adjusted Payments From the Strategic Contribution Fund	Total
2006.....	\$ 352,827	\$ —	\$ 352,827
2007.....	352,827	—	352,827
2008.....	359,829	23,950	383,779
2009.....	359,829	23,950	383,779
2010.....	359,829	23,950	383,779
2011-2015 ..	1,799,147	119,750	1,918,897
2016-2020 ..	1,929,265	47,900	1,977,165
2021-2025 ..	2,016,011	—	2,016,011
Total.....	<u>\$7,529,564</u>	<u>\$239,500</u>	<u>\$7,769,064</u>

During fiscal year 2005, Ohio received \$321.1 million, which was approximately \$31.7 million or nine percent less than the pre-adjusted base payment for the year. For the last six fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$2.1 billion, which is approximately \$232 million or 9.9 percent less than the total of the pre-adjusted base payments established for the last six fiscal years.

The moneys provide funding for the construction of elementary and secondary school capital facilities, new programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to the tobacco-growing areas in Ohio.



**NOTE 20 RISK FINANCING**

**A. Workers' Compensation Benefits**

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2005, in the amount of approximately \$15.12 billion includes reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.71 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment ex-

penses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at 5.25 percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$33.3 billion, as of June 30, 2005, and \$33.1 billion, as of June 30, 2004. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2005.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

**B. State Employee Healthcare Plans**

Employees of the primary government have the option of participating in the Ohio Med Health Plan or the United Healthcare Plan, which are fully self-insured health benefit plans. Ohio Med, a preferred provider organization, was established July 1, 1989, while United Healthcare, a health maintenance organization, became a self-insured healthcare plan of the State on July 1, 2002. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

**Primary Government  
Changes in Workers' Compensation Benefits Payable  
and Compensation Adjustment Expenses Liability  
Last Two Fiscal Years**  
(dollars in millions)

	Fiscal Year 2005	Fiscal Year 2004
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1 .....	\$16,267	\$15,981
Incurred Compensation and Compensation Adjustment Benefits.....	2,947	2,549
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments.....	(2,390)	(2,263)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 .....	<u>\$16,824</u>	<u>\$16,267</u>



**NOTE 20 RISK FINANCING (Continued)**

The United Healthcare Plan has a similar contract with the primary government to serve as claims administrator. Benefits offered under the United Healthcare Plan under the State's administration are essentially the same as the benefits offered before the plan became a self-insured arrangement for the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio or United Healthcare for claims settlement.

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2005, approximately \$138 million in total assets was available in the Agency Fund and on deposit with Medical Mutual to cover claims. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years were as follows (dollars in thousands):

**Ohio Med Health Plan**

	Fiscal Year 2005	Fiscal Year 2004
Claims Liabilities, as of July 1 .....	\$ 40,917	\$ 39,449
Incurred Claims .....	232,337	275,399
Claims Payments .....	(231,762)	(273,931)
Claims Liabilities, as of June 30 .....	<u>\$ 41,492</u>	<u>\$ 40,917</u>

As of June 30, 2005, the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund and on deposit with Medical Mutual of Ohio for the payment of claims under the Ohio Med Plan exceeded the estimated claims liability by approximately \$96.5 million, thereby resulting in a funding surplus. Ninety percent or \$86.9 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2005, approximately \$634 thousand in total assets was available in the Agency Fund and on deposit with United Healthcare to cover claims incurred by June 30. Changes in the balance of United Healthcare claims liabilities during the past fiscal year were as follows (dollars in thousands):

**United Healthcare Plan**

	Fiscal Year 2005	Fiscal Year 2004
Claims Liabilities, as of July 1 .....	\$ 7,544	\$ 13,637
Incurred Claims .....	101,231	46,921
Claims Payments .....	(101,806)	(53,014)
Claims Liabilities, as of June 30 .....	<u>\$ 6,969</u>	<u>\$ 7,544</u>

As of June 30, 2005, the estimated claims liability of the United Healthcare Plan did not significantly exceed the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims. Therefore, no net claims liability balance for the funding deficit was reported in the governmental and proprietary funds.

**C. Other Risk Financing Programs**

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.



**NOTE 21 SUBSEQUENT EVENTS**

**A. Bond Issuances**

Subsequent to June 30, 2005 (December 31, 2004 for the Ohio Water Development Authority), the State issued major debt as detailed in the table below.

<b>Debt Issuances</b> <b>Subsequent to June 30, 2005</b> <i>(dollars in thousands)</i>			
	Date Issued	Net Interest Rate or True Interest Cost	Amount
<b>Primary Government:</b>			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Common Schools Capital Facilities, Series 2005C .....	07/27/05	4.20%	\$ 200,000
Common Schools Capital Facilities Refunding, Series 2005D .....	07/28/05	3.93%	71,900
Higher Education Facilities, Series 2005B .....	09/08/05	4.14%	150,000
Higher Education Facilities Refunding, Series 2005C .....	09/13/05	3.65%	49,495
Conservation Projects, Series 2005A .....	10/13/05	4.24%	50,000
Infrastructure Improvements, Series 2005A .....	11/16/05	4.42%	120,000
Common Schools Capital Facilities, Series 2006A .....	01/18/06	4.09%	200,000
Higher Education Facilities, Series 2006A .....	04/05/06	4.43%	150,000
<i>Treasurer of State-General Obligation Bonds:</i>			
Highway Capital Improvement, Series J .....	02/27/06	3.78%	180,000
Total General Obligation Bonds .....			<u>1,171,395</u>
<i>Treasurer of State-Revenue Bonds:</i>			
Research & Development (Taxable), Series 2005A .....	10/19/05	5.45%	50,000
State Infrastructure Bank, Series 2005-1 .....	12/14/05	3.96%	99,270
Total Revenue Bonds .....			<u>149,270</u>
<i>Treasurer of State-Special Obligation Bonds:</i>			
Mental Health Capital Facilities, Series II-2005A .....	08/17/05	3.99%	30,000
Cultural Facilities, Series 2005A .....	08/23/05	4.08%	30,000
<i>Ohio Building Authority-Special Obligation Bonds:</i>			
State Facilities (Juvenile Correctional Building), Series 2005A .....	09/27/05	3.70%	15,000
State Facilities Refunding (Juvenile Correctional Building), Series 2005B .....	09/27/05	4.01%	27,445
State Facilities Refunding (Transportation Building), Series 2005A .....	09/27/05	3.56%	7,400
Total Special Obligation Bonds .....			<u>109,845</u>
Total Primary Government .....			<u>\$1,430,510</u>
<b>Major Component Units:</b>			
<i>Ohio Water Development Authority Bonds:</i>			
Fresh Water Refunding, Series 2005 .....	04/05/05	3.00-5.50%*	\$105,220
<i>Water Pollution Control Loan Fund:</i>			
Water Quality Refunding, Series 2005 .....	04/14/05	3.00-5.50%*	219,580
Refunding State Match, Series 2005 .....	05/19/05	3.00-5.25%*	18,670
Drinking Water Assistance Refunding, Leverage Series 2005 .....	07/19/05	3.00-5.25%*	36,825
Community Assistance Refunding, Series 2005 .....	07/21/05	3.00-5.25%*	37,355
Water Quality, Series 2005B .....	08/25/05	4.00-5.00%*	449,593
Drinking Water Assistance, Leverage Series 2005B .....	10/27/05	3.00-5.00%*	61,135
Total Ohio Water Development Authority .....			<u>\$928,378</u>
<i>Ohio State University Bonds:</i>			
General Receipts, Series 2005A .....	08/10/05	3.25-5.25%*	\$279,050
Variable Rate Demand General Receipts, Series 2005B .....	08/10/05	Variable	129,990
Total Ohio State University .....			<u>\$409,040</u>

\*Interest Coupon Rate

(Continued)





**NOTE 21 SUBSEQUENT EVENTS (Continued)**

**Debt Issuances  
Subsequent to June 30, 2005  
(Continued)**  
*(dollars in thousands)*

	Date Issued	Net Interest Rate or True Interest Cost	Amount
<b>Major Component Units (Continued):</b>			
<i>University of Cincinnati Bonds:</i>			
Bond Anticipation Notes, Series 2006B .....	01/26/06	3.30%	\$ 40,000
General Receipts, Series 2006A .....	02/08/06	4.33%	54,870
Bond Anticipation Notes, Series 2006C .....	03/28/06	3.54%	41,065
Total University of Cincinnati .....			<u>\$135,935</u>

**B. State Issue 1**

On November 8, 2005, Ohio voters approved State Issue 1, a constitutional amendment that authorizes the State to issue \$2 billion in general obligation bonds to improve local government infrastructure, support research and development applicable to high-tech business, and enhance business site development.

For local government infrastructure improvements, the amendment limits bond issuance to \$1.35 billion with no more than \$120 million in each of the first five fiscal years and no more than \$150 million in each of the next five fiscal years.

For research and development in support of Ohio industry, commerce, and business, including re-

search and product innovation, development, and commercialization as provided for by law, the amendment limits bond issuances to \$500 million with no more than \$100 million in each of the first three fiscal years and no more than \$50 million in any other fiscal year. It also authorizes state-supported and state-assisted institutions of higher education to issue obligations to pay costs of research and development.

For the development of sites and facilities (Job-Ready Sites) in Ohio for and in support of industry, commerce, distribution, and research and development, the amendment limits bond issuances to \$150 million with no more than \$30 million in each of the first three fiscal years and no more than \$15 million in any other fiscal year.

# **REQUIRED SUPPLEMENTARY INFORMATION**



## Infrastructure Assets Accounted for Using the Modified Approach

### Pavement Network

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate

highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

### Pavement Network Condition Assessment Data

#### Priority Subsystem

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65			
	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%
2004	8,110	65.64	2,140	17.32	1,544	12.50	561	4.54	12,355	100.00
2003	7,679	62.81	2,451	20.05	1,618	13.24	477	3.90	12,225	100.00
2002	7,483	61.29	2,498	20.46	1,849	15.14	380	3.11	12,210	100.00
2001	6,753	55.74	2,688	22.19	2,162	17.85	511	4.22	12,114	100.00

#### General Subsystem

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55			
	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%
2004	13,570	44.92	6,550	21.68	9,423	31.20	664	2.20	30,207	100.00
2003	12,634	41.77	6,378	21.09	10,910	36.07	324	1.07	30,246	100.00
2002	11,997	39.57	6,496	21.43	11,278	37.20	546	1.80	30,317	100.00
2001	10,635	34.89	6,547	21.47	12,393	40.65	912	2.99	30,487	100.00



**Infrastructure Assets Accounted for Using the Modified Approach (Continued)**

**Pavement Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
*(dollars in thousands)*

**Priority Subsystem**

<b>Fiscal Year</b>	<b>Estimated</b>	<b>Actual</b>
2005	\$327,646	\$341,027
2004	195,333	273,318
2003	243,722	273,834
2002	251,216	319,518

**General Subsystem**

<b>Fiscal Year</b>	<b>Estimated</b>	<b>Actual</b>
2005	\$206,894	\$301,644
2004	133,236	227,437
2003	135,149	209,530
2002	110,956	151,978

**Bridge Network**

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

**Bridge Network**  
**Condition Assessment Data**  
*(square feet in thousands)*

Calendar Year	General Appraisal Condition Ratings (GACR)									
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2		Total	
	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%
2004	45,895	55.50	34,459	41.68	2,317	2.80	13	.02	82,684	100.00
2003	47,046	57.19	32,972	40.08	2,224	2.71	18	.02	82,260	100.00
2002	45,144	56.01	33,067	41.02	2,388	2.96	9	.01	80,608	100.00
2001	43,395	53.56	34,899	43.08	2,688	3.32	30	.04	81,012	100.00

**Infrastructure Assets Accounted for Using the Modified Approach (Continued)**

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**Bridge Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
*(dollars in thousands)*

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<b>Fiscal Year</b>	<b>Estimated</b>	<b>Actual</b>
2005	\$241,701	\$231,864
2004	147,779	208,381
2003	180,358	229,077
2002	192,105	210,084

# **COMBINING FINANCIAL STATEMENTS AND SCHEDULES**

## ***NONMAJOR GOVERNMENTAL FUNDS***

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### **Special Revenue Funds**

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

### **Debt Service Funds**

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

### **Capital Projects Funds**

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 2,180,849	\$ 19,452	\$ 388,483
Cash and Cash Equivalents .....	64,049	1,205	—
Investments .....	456,787	44,352	75,356
Collateral on Lent Securities .....	1,296,315	11,947	230,510
Taxes Receivable .....	4,960	—	—
Intergovernmental Receivable .....	287,582	—	—
Loans Receivable, Net .....	813,322	566	—
Interfund Receivable .....	3,363	—	1
Other Receivables .....	191,918	36	—
Other Assets .....	6,310	31	—
<b>TOTAL ASSETS .....</b>	<b>\$ 5,305,455</b>	<b>\$ 77,589</b>	<b>\$ 694,350</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 242,229	\$ 262	\$ 49,102
Accrued Liabilities .....	39,334	36	—
Obligations Under Securities Lending .....	1,296,315	11,947	230,510
Intergovernmental Payable .....	217,422	—	—
Interfund Payable .....	366,579	—	323
Payable to Component Units .....	30,939	—	—
Deferred Revenue .....	227,671	—	—
Unearned Revenue .....	135,051	—	—
Refund and Other Liabilities .....	1,284	2,614	—
<b>TOTAL LIABILITIES .....</b>	<b>2,556,824</b>	<b>14,859</b>	<b>279,935</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	—	61,298	—
Encumbrances .....	977,860	—	381,276
Noncurrent Portion of Loans Receivable .....	796,882	566	—
Loan Commitments .....	105,069	—	—
Federal Programs .....	15,245	—	—
Other:			
Prepays .....	3,776	—	—
Ohio Enterprise Bond Program .....	10,000	—	—
Loan Guarantee Programs .....	3,675	—	—
Assets in Excess of Debt Service Requirements .....	—	866	—
Compensated Absences .....	9,422	—	—
Unreserved/Undesignated .....	826,702	—	33,139
<b>TOTAL FUND BALANCES .....</b>	<b>2,748,631</b>	<b>62,730</b>	<b>414,415</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 5,305,455</b>	<b>\$ 77,589</b>	<b>\$ 694,350</b>



**TOTAL**

\$ 2,588,784  
65,254  
576,495  
1,538,772  
4,960  
287,582  
813,888  
3,364  
191,954  
6,341  

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\$ **6,077,394**

\$ 291,593  
39,370  
1,538,772  
217,422  
366,902  
30,939  
227,671  
135,051  
3,898  

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2,851,618  

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61,298  
1,359,136  
797,448  
105,069  
15,245

3,776  
10,000  
3,675  
866  
9,422  
859,841

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3,225,776

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**\$ 6,077,394**

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>
<b>REVENUES:</b>			
Income Taxes .....	\$ 6,303	\$ —	\$ —
Sales Taxes .....	17,893	—	—
Corporate and Public Utility Taxes .....	12,542	—	—
Motor Vehicle Fuel Taxes .....	22,685	—	—
Cigarette Taxes .....	27	—	—
Other Taxes .....	41,997	—	—
Licenses, Permits and Fees .....	883,485	—	—
Sales, Services and Charges .....	38,885	—	142
Federal Government .....	2,155,476	—	—
Tobacco Settlement .....	321,050	—	—
Investment Income .....	51,122	3,706	6,010
Other .....	236,408	1,082	3,557
<b>TOTAL REVENUES .....</b>	<b>3,787,873</b>	<b>4,788</b>	<b>9,709</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	134,003	—	—
Higher Education Support .....	250,714	—	—
Public Assistance and Medicaid .....	299	—	—
Health and Human Services .....	1,612,401	—	—
Justice and Public Protection .....	684,036	—	—
Environmental Protection and Natural Resources .....	268,714	—	—
Transportation .....	364	—	—
General Government .....	164,902	—	—
Community and Economic Development .....	893,707	—	—
<b>CAPITAL OUTLAY .....</b>	<b>19,939</b>	<b>—</b>	<b>446,405</b>
<b>DEBT SERVICE .....</b>	<b>13</b>	<b>1,415,545</b>	<b>129</b>
<b>TOTAL EXPENDITURES .....</b>	<b>4,029,092</b>	<b>1,415,545</b>	<b>446,534</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(241,219)</b>	<b>(1,410,757)</b>	<b>(436,825)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	470,000	1,072	456,864
Refunding Bonds Issued .....	—	706,835	—
Payment to Refunded Bond Escrow Agents .....	—	(768,952)	—
Premiums .....	—	140,251	2,649
Discounts .....	—	(94)	—
Transfers-in .....	235,201	1,309,843	—
Transfers-out .....	(47,089)	—	(374)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>658,112</b>	<b>1,388,955</b>	<b>459,139</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>416,893</b>	<b>(21,802)</b>	<b>22,314</b>
<b>FUND BALANCES, JULY 1 (as restated) .....</b>	<b>2,331,939</b>	<b>84,532</b>	<b>392,101</b>
Increase (Decrease) for Changes in Inventories .....	(201)	—	—
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 2,748,631</b>	<b>\$ 62,730</b>	<b>\$ 414,415</b>

	<u>TOTAL</u>
\$	6,303
	17,893
	12,542
	22,685
	27
	41,997
	883,485
	39,027
	2,155,476
	321,050
	60,838
	<u>241,047</u>
	<b><u>3,802,370</u></b>

	134,003
	250,714
	299
	1,612,401
	684,036
	268,714
	364
	164,902
	893,707
	466,344
	<u>1,415,687</u>
	<b><u>5,891,171</u></b>

	<u>(2,088,801)</u>
--	--------------------

	927,936
	706,835
	(768,952)
	142,900
	(94)
	1,545,044
	<u>(47,463)</u>
	<b><u>2,506,206</u></b>

	<b>417,405</b>
	2,808,572
	<u>(201)</u>

\$	<b><u>3,225,776</u></b>
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## ***NONMAJOR SPECIAL REVENUE FUNDS***

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**Special Revenue Funds** account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Community and Economic Development Fund** accounts for programs administered by the Department of Development and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

The **Health Fund** accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

The **Mental Health and Retardation Fund** accounts for mental health care and retardation programs primarily administered by the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

The **Highway Safety Fund** accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

The **Natural Resources Fund** accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

The **Wildlife and Waterways Safety Fund** accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

The **Local Infrastructure and Transportation Improvements Fund** accounts for the Local Transportation Improvement Program administered by the Ohio Public Works Commission, which provides grants and loans to local governments for highway, road, and bridge construction.

The **Tobacco Settlement Fund** accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

The **Clean Ohio Program Fund** accounts for programs that assist local communities in the clean-up and redevelopment of brownfield sites, the protection of green space, the preservation of farmland, the improvement of water quality, and the expansion of Ohio's network of recreational trails and greenways.

The **Higher Education Improvements Fund** accounts for bond proceeds that finance the construction of facilities for state-assisted higher education institutions.

The **Help America Vote Act (HAVA) Fund** accounts for federal funds received for the purchase and deployment of HAVA-certified voting systems in Ohio, as provided in the HAVA Act of 2002.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 700,712	\$ 49,877	\$ 93,033
Cash and Cash Equivalents .....	55,861	132	—
Investments .....	118,986	—	—
Collateral on Lent Securities .....	417,803	29,595	55,202
Taxes Receivable .....	1,454	—	—
Intergovernmental Receivable .....	52,723	35,803	197,330
Loans Receivable, Net .....	540,722	—	—
Interfund Receivable .....	2,551	—	—
Other Receivables .....	7,603	13,039	188
Other Assets .....	1,022	2,668	554
<b>TOTAL ASSETS .....</b>	<b>\$ 1,899,437</b>	<b>\$ 131,114</b>	<b>\$ 346,307</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 64,051	\$ 27,322	\$ 56,247
Accrued Liabilities .....	8,485	3,516	5,845
Obligations Under Securities Lending .....	417,803	29,595	55,202
Intergovernmental Payable .....	29,664	11,957	143,650
Interfund Payable .....	270,554	3,414	53,603
Payable to Component Units .....	151	290	177
Deferred Revenue .....	10,043	7,963	40,702
Unearned Revenue .....	11,786	4,067	—
Refund and Other Liabilities .....	1,284	—	—
<b>TOTAL LIABILITIES .....</b>	<b>813,821</b>	<b>88,124</b>	<b>355,426</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	522,955	16,411	58,752
Noncurrent Portion of Loans Receivable .....	525,600	—	—
Loan Commitments .....	29,974	—	—
Federal Programs .....	9,561	350	699
Other:			
Prepays .....	858	298	554
Ohio Enterprise Bond Program .....	10,000	—	—
Loan Guarantee Programs .....	3,675	—	—
Compensated Absences .....	2,051	863	1,305
Unreserved/Undesignated (Deficits) .....	(19,058)	25,068	(70,429)
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>1,085,616</b>	<b>42,990</b>	<b>(9,119)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 1,899,437</b>	<b>\$ 131,114</b>	<b>\$ 346,307</b>

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ 260,918	\$ 170,737	\$ 62,527	\$ 231,015	\$ 307,139	\$ 51,977
5,264	708	15	—	2,069	—
—	—	—	—	337,801	—
154,818	101,308	37,101	137,075	182,503	30,841
—	1,941	1,565	—	—	—
1,709	17	—	—	—	—
—	110	—	272,490	—	—
460	352	—	—	—	—
—	10,519	358	—	160,211	—
1,362	448	236	3	15	2
<u>\$ 424,531</u>	<u>\$ 286,140</u>	<u>\$ 101,802</u>	<u>\$ 640,583</u>	<u>\$ 989,738</u>	<u>\$ 82,820</u>
\$ 8,036	\$ 7,173	\$ 2,806	\$ 4,466	\$ 58,301	\$ 9,751
13,681	5,245	2,247	48	196	19
154,818	101,308	37,101	137,075	182,503	30,841
79	230	—	6,911	24,931	—
28,956	4,344	5,584	—	104	20
80	53	16	3	16	—
30	10,010	—	—	158,923	—
727	4	7	—	—	—
—	—	—	—	—	—
<u>206,407</u>	<u>128,367</u>	<u>47,761</u>	<u>148,503</u>	<u>424,974</u>	<u>40,631</u>
22,385	40,129	11,784	—	6,572	71,988
—	—	—	271,282	—	—
—	—	—	75,095	—	—
—	4,167	—	—	—	468
1,362	448	236	3	15	2
—	—	—	—	—	—
—	—	—	—	—	—
3,320	1,261	556	12	49	5
<u>191,057</u>	<u>111,768</u>	<u>41,465</u>	<u>145,688</u>	<u>558,128</u>	<u>(30,274)</u>
<u>218,124</u>	<u>157,773</u>	<u>54,041</u>	<u>492,080</u>	<u>564,764</u>	<u>42,189</u>
<u>\$ 424,531</u>	<u>\$ 286,140</u>	<u>\$ 101,802</u>	<u>\$ 640,583</u>	<u>\$ 989,738</u>	<u>\$ 82,820</u>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<b>HIGHER EDUCATION IMPROVEMENTS</b>	<b>HELP AMERICA VOTE ACT</b>	<b>TOTAL</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 133,562	\$ 119,352	\$ 2,180,849
Cash and Cash Equivalents .....	—	—	64,049
Investments .....	—	—	456,787
Collateral on Lent Securities .....	79,250	70,819	1,296,315
Taxes Receivable .....	—	—	4,960
Intergovernmental Receivable .....	—	—	287,582
Loans Receivable, Net .....	—	—	813,322
Interfund Receivable .....	—	—	3,363
Other Receivables .....	—	—	191,918
Other Assets .....	—	—	6,310
<b>TOTAL ASSETS .....</b>	<b>\$ 212,812</b>	<b>\$ 190,171</b>	<b>\$ 5,305,455</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 3,236	\$ 840	\$ 242,229
Accrued Liabilities .....	—	52	39,334
Obligations Under Securities Lending .....	79,250	70,819	1,296,315
Intergovernmental Payable .....	—	—	217,422
Interfund Payable .....	—	—	366,579
Payable to Component Units .....	30,153	—	30,939
Deferred Revenue .....	—	—	227,671
Unearned Revenue .....	—	118,460	135,051
Refund and Other Liabilities .....	—	—	1,284
<b>TOTAL LIABILITIES .....</b>	<b>112,639</b>	<b>190,171</b>	<b>2,556,824</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	190,731	36,153	977,860
Noncurrent Portion of Loans Receivable .....	—	—	796,882
Loan Commitments .....	—	—	105,069
Federal Programs .....	—	—	15,245
Other:			
Prepays .....	—	—	3,776
Ohio Enterprise Bond Program .....	—	—	10,000
Loan Guarantee Programs .....	—	—	3,675
Compensated Absences .....	—	—	9,422
Unreserved/Undesignated (Deficits) .....	(90,558)	(36,153)	826,702
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>100,173</b>	<b>—</b>	<b>2,748,631</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 212,812</b>	<b>\$ 190,171</b>	<b>\$ 5,305,455</b>



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**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
<b>REVENUES:</b>			
Income Taxes .....	\$ 6,303	\$ —	\$ —
Sales Taxes .....	17,893	—	—
Corporate and Public Utility Taxes .....	545	—	—
Motor Vehicle Fuel Taxes .....	5,840	—	—
Cigarette Taxes .....	27	—	—
Other Taxes .....	33,406	—	—
Licenses, Permits and Fees .....	427,144	25,306	1
Sales, Services and Charges .....	20,630	13	44
Federal Government .....	581,286	452,768	1,013,219
Tobacco Settlement .....	—	—	—
Investment Income .....	13,474	165	1
Other .....	60,347	23,226	78,304
<b>TOTAL REVENUES .....</b>	<b><u>1,166,895</u></b>	<b><u>501,478</u></b>	<b><u>1,091,569</u></b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	61	—	—
Higher Education Support .....	—	—	—
Public Assistance and Medicaid .....	—	—	299
Health and Human Services .....	—	500,177	1,062,373
Justice and Public Protection .....	274,496	3	—
Environmental Protection and Natural Resources .....	464	—	—
Transportation .....	364	—	—
General Government .....	152,014	71	—
Community and Economic Development .....	628,713	1,263	—
<b>CAPITAL OUTLAY .....</b>	<b>16,253</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE .....</b>	<b>13</b>	<b>—</b>	<b>—</b>
<b>TOTAL EXPENDITURES .....</b>	<b><u>1,072,378</u></b>	<b><u>501,514</u></b>	<b><u>1,062,672</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b><u>94,517</u></b>	<b><u>(36)</u></b>	<b><u>28,897</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....	50,000	—	—
Transfers-in .....	16,431	13,063	38,241
Transfers-out .....	(12,505)	(1,048)	(9,253)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b><u>53,926</u></b>	<b><u>12,015</u></b>	<b><u>28,988</u></b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>148,443</b>	<b>11,979</b>	<b>57,885</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated) .....</b>	<b>937,173</b>	<b>31,212</b>	<b>(67,004)</b>
Increase (Decrease) for Changes in Inventories .....	—	(201)	—
<b>FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b><u>\$ 1,085,616</u></b>	<b><u>\$ 42,990</u></b>	<b><u>\$ (9,119)</u></b>

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	11,997	—	—	—	—
—	—	16,845	—	—	—
—	—	—	—	—	—
903	7,688	—	—	—	—
293,597	97,136	40,301	—	—	—
15,959	1,702	537	—	—	—
27,913	55,723	15,553	—	—	695
—	—	—	—	321,050	—
4,582	808	1,170	4,931	22,174	1,507
32,619	36,682	3,156	1,073	487	478
<u>375,573</u>	<u>211,736</u>	<u>77,562</u>	<u>6,004</u>	<u>343,711</u>	<u>2,680</u>
—	—	—	—	133,942	—
—	—	—	—	—	—
—	—	—	—	—	—
231	—	—	—	49,620	—
405,591	373	—	—	3,573	—
—	192,671	75,091	—	—	488
—	—	—	—	—	—
—	4,285	—	—	213	—
—	4,082	—	180,305	38,041	41,303
2,211	—	1,475	—	—	—
—	—	—	—	—	—
<u>408,033</u>	<u>201,411</u>	<u>76,566</u>	<u>180,305</u>	<u>225,389</u>	<u>41,791</u>
<u>(32,460)</u>	<u>10,325</u>	<u>996</u>	<u>(174,301)</u>	<u>118,322</u>	<u>(39,111)</u>
—	—	—	120,000	—	—
98,778	4,055	648	63,985	—	—
(20,084)	(3,301)	(855)	—	—	—
<u>78,694</u>	<u>754</u>	<u>(207)</u>	<u>183,985</u>	<u>—</u>	<u>—</u>
<u>46,234</u>	<u>11,079</u>	<u>789</u>	<u>9,684</u>	<u>118,322</u>	<u>(39,111)</u>
171,890	146,694	53,252	482,396	446,442	81,300
—	—	—	—	—	—
<u>\$ 218,124</u>	<u>\$ 157,773</u>	<u>\$ 54,041</u>	<u>\$ 492,080</u>	<u>\$ 564,764</u>	<u>\$ 42,189</u>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

(dollars in thousands)  
(continued)

	HIGHER EDUCATION IMPROVEMENTS	HELP AMERICA VOTE ACT	TOTAL
<b>REVENUES:</b>			
Income Taxes . . . . .	\$ —	\$ —	\$ 6,303
Sales Taxes . . . . .	—	—	17,893
Corporate and Public Utility Taxes . . . . .	—	—	12,542
Motor Vehicle Fuel Taxes . . . . .	—	—	22,685
Cigarette Taxes . . . . .	—	—	27
Other Taxes . . . . .	—	—	41,997
Licenses, Permits and Fees . . . . .	—	—	883,485
Sales, Services and Charges . . . . .	—	—	38,885
Federal Government . . . . .	—	8,319	2,155,476
Tobacco Settlement . . . . .	—	—	321,050
Investment Income . . . . .	2,310	—	51,122
Other . . . . .	36	—	236,408
<b>TOTAL REVENUES . . . . .</b>	<b>2,346</b>	<b>8,319</b>	<b>3,787,873</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education . . . . .	—	—	134,003
Higher Education Support . . . . .	250,714	—	250,714
Public Assistance and Medicaid . . . . .	—	—	299
Health and Human Services . . . . .	—	—	1,612,401
Justice and Public Protection . . . . .	—	—	684,036
Environmental Protection and Natural Resources . . . . .	—	—	268,714
Transportation . . . . .	—	—	364
General Government . . . . .	—	8,319	164,902
Community and Economic Development . . . . .	—	—	893,707
<b>CAPITAL OUTLAY . . . . .</b>	<b>—</b>	<b>—</b>	<b>19,939</b>
<b>DEBT SERVICE . . . . .</b>	<b>—</b>	<b>—</b>	<b>13</b>
<b>TOTAL EXPENDITURES . . . . .</b>	<b>250,714</b>	<b>8,319</b>	<b>4,029,092</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER (UNDER) EXPENDITURES . . . . .</b>	<b>(248,368)</b>	<b>—</b>	<b>(241,219)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued . . . . .	300,000	—	470,000
Transfers-in . . . . .	—	—	235,201
Transfers-out . . . . .	(43)	—	(47,089)
<b>TOTAL OTHER FINANCING SOURCES (USES) . . . . .</b>	<b>299,957</b>	<b>—</b>	<b>658,112</b>
<b>NET CHANGE IN FUND BALANCES . . . . .</b>	<b>51,589</b>	<b>—</b>	<b>416,893</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated) . . . . .</b>	<b>48,584</b>	<b>—</b>	<b>2,331,939</b>
Increase (Decrease) for Changes in Inventories . . . . .	—	—	(201)
<b>FUND BALANCES (DEFICITS), JUNE 30 . . . . .</b>	<b>\$ 100,173</b>	<b>\$ —</b>	<b>\$ 2,748,631</b>

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# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

COMMUNITY AND ECONOMIC DEVELOPMENT			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes .....		\$ 6,287	
Sales Taxes .....		18,004	
Corporate and Public Utility Taxes .....		545	
Motor Vehicle Fuel Taxes .....		5,806	
Cigarette Taxes.....		27	
Other Taxes .....		33,411	
Licenses, Permits and Fees .....		429,542	
Sales, Services and Charges .....		10,450	
Federal Government .....		529,274	
Tobacco Settlement.....		—	
Investment Income .....		9,210	
Other .....		108,214	
<b>TOTAL REVENUES.....</b>		<b>1,150,770</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ 1,443	788	\$ 655
Higher Education Support .....	—	—	—
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	—	—	—
Justice and Public Protection .....	518,387	440,332	78,055
Environmental Protection and Natural Resources .....	716	482	234
Transportation .....	5,882	3,319	2,563
General Government .....	192,645	176,223	16,422
Community and Economic Development .....	1,277,645	1,015,338	262,307
<b>CAPITAL OUTLAY .....</b>	<b>45,909</b>	<b>25,715</b>	<b>20,194</b>
<b>DEBT SERVICE.....</b>	<b>783</b>	<b>13</b>	<b>770</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 2,043,410</b>	<b>1,662,210</b>	<b>\$ 381,200</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(511,440)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....		50,000	
Transfers-in .....		21,730	
Transfers-out .....		(16,768)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>54,962</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(456,478)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>		<b>39,631</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>		<b>507,054</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 90,207</b>	

HEALTH			MENTAL HEALTH AND RETARDATION		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	32,373			1	
	3,123			44	
	460,477			2,172,653	
	—			—	
	165			1	
	84,776			80,878	
	<u>580,914</u>			<u>2,253,577</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	1,495,204	1,426,719	68,485
662,990	611,834	51,156	1,396,656	1,267,585	129,071
12	3	9	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
150	125	25	—	—	—
2,389	2,184	205	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 665,541</u>	<u>614,146</u>	<u>\$ 51,395</u>	<u>\$ 2,891,860</u>	<u>2,694,304</u>	<u>\$ 197,556</u>
	<u>(33,232)</u>			<u>(440,727)</u>	
	—			—	
	1,189			33,032	
	(457)			—	
	<u>732</u>			<u>33,032</u>	
	<u>(32,500)</u>			<u>(407,695)</u>	
	8,293			(310,521)	
	<u>32,909</u>			<u>389,774</u>	
	<u>\$ 8,702</u>			<u>\$ (328,442)</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

	HIGHWAY SAFETY		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes .....		\$ —	
Sales Taxes .....		—	
Corporate and Public Utility Taxes .....		—	
Motor Vehicle Fuel Taxes .....		—	
Cigarette Taxes.....		—	
Other Taxes .....		903	
Licenses, Permits and Fees .....		293,766	
Sales, Services and Charges .....		15,936	
Federal Government .....		28,786	
Tobacco Settlement.....		—	
Investment Income .....		4,582	
Other .....		39,160	
<b>TOTAL REVENUES.....</b>		<b>383,133</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ —	—	\$ —
Higher Education Support .....	—	—	—
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	235	233	2
Justice and Public Protection .....	482,849	441,765	41,084
Environmental Protection and Natural Resources .....	—	—	—
Transportation .....	—	—	—
General Government .....	—	—	—
Community and Economic Development .....	—	—	—
<b>CAPITAL OUTLAY .....</b>	<b>8,884</b>	<b>5,580</b>	<b>3,304</b>
<b>DEBT SERVICE.....</b>	<b>13,663</b>	<b>11,961</b>	<b>1,702</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 505,631</b>	<b>459,539</b>	<b>\$ 46,092</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(76,406)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....		—	
Transfers-in .....		119,343	
Transfers-out .....		(28,997)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>90,346</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>13,940</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1 .....		168,723	
Outstanding Encumbrances at Beginning of Fiscal Year .....		34,196	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30 .....		<b>\$ 216,859</b>	



NATURAL RESOURCES			WILDLIFE AND WATERWAYS SAFETY		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	11,997			—	
	—			16,719	
	—			—	
	7,598			—	
	97,606			40,227	
	1,702			537	
	57,209			15,553	
	—			—	
	808			1,170	
	42,777			3,815	
	<u>219,697</u>			<u>78,021</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
631	395	236	—	—	—
285,872	247,347	38,525	91,481	82,799	8,682
—	—	—	—	—	—
5,398	4,545	853	—	—	—
13,713	5,276	8,437	—	—	—
—	—	—	28,609	8,118	20,491
—	—	—	—	—	—
<u>\$ 305,614</u>	<u>257,563</u>	<u>\$ 48,051</u>	<u>\$ 120,090</u>	<u>90,917</u>	<u>\$ 29,173</u>
	<u>(37,866)</u>			<u>(12,896)</u>	
	—			—	
	5,651			2	
	(1,750)			—	
	<u>3,901</u>			<u>2</u>	
	<u>(33,965)</u>			<u>(12,894)</u>	
	107,735			46,885	
	<u>47,081</u>			<u>12,821</u>	
	<u>\$ 120,851</u>			<u>\$ 46,812</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes .....		\$ —	
Sales Taxes .....		—	
Corporate and Public Utility Taxes .....		—	
Motor Vehicle Fuel Taxes .....		—	
Cigarette Taxes.....		—	
Other Taxes .....		—	
Licenses, Permits and Fees .....		—	
Sales, Services and Charges .....		—	
Federal Government .....		—	
Tobacco Settlement.....		—	
Investment Income .....		4,931	
Other .....		20,618	
<b>TOTAL REVENUES.....</b>		<b>25,549</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ —	—	\$ —
Higher Education Support .....	—	—	—
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	—	—	—
Justice and Public Protection .....	—	—	—
Environmental Protection and Natural Resources .....	—	—	—
Transportation .....	—	—	—
General Government .....	—	—	—
Community and Economic Development .....	707,215	215,494	491,721
<b>CAPITAL OUTLAY .....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 707,215</b>	<b>215,494</b>	<b>\$ 491,721</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(189,945)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....		120,000	
Transfers-in .....		63,985	
Transfers-out .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>183,985</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(5,960)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>		<b>236,925</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>		<b>16</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 230,981</b>	

TOBACCO SETTLEMENT			CLEAN OHIO PROGRAM		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			695	
	321,050			—	
	4,022			1,507	
	1,919			478	
	<u>326,991</u>			<u>2,680</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
33,249	32,487	762	—	—	—
10,510	9,559	951	—	—	—
—	—	—	367	195	172
—	—	—	—	—	—
224	223	1	—	—	—
110,970	110,444	526	234,274	116,395	117,879
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 154,953</u>	<u>152,713</u>	<u>\$ 2,240</u>	<u>\$ 234,641</u>	<u>116,590</u>	<u>\$ 118,051</u>
	<u>174,278</u>			<u>(113,910)</u>	
	—			—	
	74,508			—	
	(208,451)			—	
	<u>(133,943)</u>			—	
	40,335			<u>(113,910)</u>	
	109,762			4,385	
	<u>69,313</u>			<u>81,935</u>	
	<u>\$ 219,410</u>			<u>\$ (27,590)</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

	HIGHER EDUCATION IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes .....		\$ —	
Sales Taxes .....		—	
Corporate and Public Utility Taxes .....		—	
Motor Vehicle Fuel Taxes .....		—	
Cigarette Taxes.....		—	
Other Taxes .....		—	
Licenses, Permits and Fees .....		—	
Sales, Services and Charges .....		—	
Federal Government .....		—	
Tobacco Settlement.....		—	
Investment Income .....		2,310	
Other .....		36	
<b>TOTAL REVENUES.....</b>		<b>2,346</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ —	—	\$ —
Higher Education Support .....	1,147,258	476,233	671,025
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	—	—	—
Justice and Public Protection .....	—	—	—
Environmental Protection and Natural Resources .....	—	—	—
Transportation .....	—	—	—
General Government .....	—	—	—
Community and Economic Development .....	—	—	—
<b>CAPITAL OUTLAY .....</b>	—	—	—
<b>DEBT SERVICE.....</b>	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 1,147,258</b>	<b>476,233</b>	<b>\$ 671,025</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(473,887)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....		300,000	
Transfers-in .....		—	
Transfers-out .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>300,000</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(173,887)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1 .....		(138,864)	
Outstanding Encumbrances at Beginning of Fiscal Year .....		230,487	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30 .....		<b>\$ (82,264)</b>	

HELP AMERICA VOTE ACT			TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ 6,287	
	—			18,004	
	—			12,542	
	—			22,525	
	—			27	
	—			41,912	
	—			893,515	
	—			31,792	
	—			3,264,647	
	—			321,050	
	—			28,706	
	—			382,671	
	—			<b>5,023,678</b>	
\$ —	—	\$ —	\$ 1,443	788	\$ 655
—	—	—	1,147,258	476,233	671,025
—	—	—	1,495,204	1,426,719	68,485
—	—	—	2,093,130	1,912,139	180,991
—	—	—	1,012,389	892,054	120,335
—	—	—	378,436	330,823	47,613
—	—	—	5,882	3,319	2,563
112,816	44,618	68,198	311,233	225,734	85,499
—	—	—	2,346,206	1,465,131	881,075
—	—	—	83,402	39,413	43,989
—	—	—	14,446	11,974	2,472
<b>\$ 112,816</b>	<b>44,618</b>	<b>\$ 68,198</b>	<b>\$ 8,889,029</b>	<b>6,784,327</b>	<b>\$ 2,104,702</b>
	<b>(44,618)</b>			<b>(1,760,649)</b>	
	—			470,000	
	7,549			326,989	
	<b>(7,549)</b>			<b>(263,972)</b>	
	—			<b>533,017</b>	
	<b>(44,618)</b>			<b>(1,227,632)</b>	
	126,230			399,184	
	755			1,406,341	
	<b>\$ 82,367</b>			<b>\$ 577,893</b>	

## ***NONMAJOR DEBT SERVICE FUNDS***

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**Debt Service Funds** account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The **Coal Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

The **Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

The **Highway Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

The **Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

The **Highway General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

The **Public Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

The **Vietnam Conflict Compensation General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

The **Local Infrastructure Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

The **State Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

The **Highway Capital Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

The **Higher Education Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

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The **Common Schools Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

The **Conservation Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

The **Economic Development Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds issued to finance loans to individuals, corporations, and agencies within the State for economic development projects that create or retain jobs in the State.

The **Infrastructure Bank Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds that have been authorized under the authority of Section 5531.10, Ohio Revised Code, to finance the construction of the Spring-Sandusky Highway Project in Columbus.

The **Revitalization Project Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds to finance the costs of environmentally safe and productive development, use, or reuse of publicly and privately owned lands, including those within urban areas.

The **Higher Education Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities.

The **Mental Health Facilities Special Obligations Fund** accounts for the payment of principal

and interest on special obligation bonds issued to finance the construction of mental health facilities.

The **Parks and Recreation Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of parks and recreation projects and state park facilities.

The **School Building Program Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the costs of school buildings and classroom facilities used by public school districts for elementary and secondary education purposes.

The **Ohio Building Authority Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of state office buildings and the costs of capital improvements for the Departments of Administrative Services, Youth Services, Transportation, Rehabilitation and Correction, Natural Resources, and Public Safety and for the Cultural Facilities Commission.

The **Transportation Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that financed the acquisition of the Department of Transportation’s Panhandle Rail Line Project.

The **OAKS Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that finance the State’s enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<u>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 37	\$ —	\$ —
Cash and Cash Equivalents .....	—	130	55
Investments .....	—	—	—
Collateral on Lent Securities .....	22	—	—
Loans Receivable, Net .....	—	—	—
Other Receivables .....	—	—	—
Other Assets .....	—	—	—
<b>TOTAL ASSETS .....</b>	<b>\$ 59</b>	<b>\$ 130</b>	<b>\$ 55</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Accrued Liabilities .....	—	—	—
Obligations Under Securities Lending .....	22	—	—
Refund and Other Liabilities .....	—	130	55
<b>TOTAL LIABILITIES .....</b>	<b>22</b>	<b>130</b>	<b>55</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	37	—	—
Noncurrent Portion of Loans Receivable .....	—	—	—
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES .....</b>	<b>37</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 59</b>	<b>\$ 130</b>	<b>\$ 55</b>



<u>DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>	<u>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>
\$ —	\$ 613	\$ —	\$ —	\$ 4	\$ 37
268	420	149	28	—	—
—	—	—	—	—	—
—	364	—	—	2	22
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 268</u>	<u>\$ 1,397</u>	<u>\$ 149</u>	<u>\$ 28</u>	<u>\$ 6</u>	<u>\$ 59</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	364	—	—	2	22
<u>268</u>	<u>170</u>	<u>149</u>	<u>25</u>	<u>—</u>	<u>—</u>
<u>268</u>	<u>534</u>	<u>149</u>	<u>25</u>	<u>2</u>	<u>22</u>
—	—	—	—	4	37
—	—	—	—	—	—
—	863	—	3	—	—
—	863	—	3	4	37
<u>\$ 268</u>	<u>\$ 1,397</u>	<u>\$ 149</u>	<u>\$ 28</u>	<u>\$ 6</u>	<u>\$ 59</u>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 10,008	\$ 8,612	\$ 105
Cash and Cash Equivalents .....	—	—	—
Investments .....	—	—	—
Collateral on Lent Securities .....	5,939	5,110	62
Loans Receivable, Net .....	—	—	—
Other Receivables .....	—	—	—
Other Assets .....	—	—	—
<b>TOTAL ASSETS .....</b>	<b>\$ 15,947</b>	<b>\$ 13,722</b>	<b>\$ 167</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Accrued Liabilities .....	—	—	—
Obligations Under Securities Lending .....	5,939	5,110	62
Refund and Other Liabilities .....	—	—	—
<b>TOTAL LIABILITIES .....</b>	<b>5,939</b>	<b>5,110</b>	<b>62</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	10,008	8,612	105
Noncurrent Portion of Loans Receivable .....	—	—	—
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES .....</b>	<b>10,008</b>	<b>8,612</b>	<b>105</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 15,947</b>	<b>\$ 13,722</b>	<b>\$ 167</b>

<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>	<u>ECONOMIC DEVELOPMENT REVENUE BONDS</u>	<u>INFRASTRUCTURE BANK REVENUE BONDS</u>	<u>REVITALIZATION PROJECT REVENUE BONDS</u>	<u>HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS</u>
\$ 36	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	10	—	—
—	9,550	1,128	2,868	1,738	621
22	249	—	75	45	16
—	—	—	—	566	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 58</u>	<u>\$ 9,799</u>	<u>\$ 1,128</u>	<u>\$ 2,953</u>	<u>\$ 2,349</u>	<u>\$ 637</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	13	14
22	249	—	75	45	16
—	—	—	—	—	—
<u>22</u>	<u>249</u>	<u>—</u>	<u>75</u>	<u>58</u>	<u>30</u>
36	9,550	1,128	2,878	1,725	607
—	—	—	—	566	—
—	—	—	—	—	—
<u>36</u>	<u>9,550</u>	<u>1,128</u>	<u>2,878</u>	<u>2,291</u>	<u>607</u>
<u>\$ 58</u>	<u>\$ 9,799</u>	<u>\$ 1,128</u>	<u>\$ 2,953</u>	<u>\$ 2,349</u>	<u>\$ 637</u>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<b><u>PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS</u></b>	<b><u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u></b>	<b><u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u></b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ —	\$ —	\$ —
Cash and Cash Equivalents .....	145	—	—
Investments .....	337	365	19,618
Collateral on Lent Securities .....	9	10	—
Loans Receivable, Net .....	—	—	—
Other Receivables .....	—	—	36
Other Assets .....	—	—	31
<b>TOTAL ASSETS .....</b>	<b>\$ 491</b>	<b>\$ 375</b>	<b>\$ 19,685</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Accrued Liabilities .....	9	—	—
Obligations Under Securities Lending .....	9	10	—
Refund and Other Liabilities .....	—	—	1,817
<b>TOTAL LIABILITIES .....</b>	<b>18</b>	<b>10</b>	<b>1,817</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	473	365	17,868
Noncurrent Portion of Loans Receivable .....	—	—	—
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES .....</b>	<b>473</b>	<b>365</b>	<b>17,868</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 491</b>	<b>\$ 375</b>	<b>\$ 19,685</b>

<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>	<u>TOTAL</u>
\$ —	\$ —	\$ 19,452
—	—	1,205
942	7,185	44,352
—	—	11,947
—	—	566
—	—	36
—	—	31
<u>\$ 942</u>	<u>\$ 7,185</u>	<u>\$ 77,589</u>
\$ —	\$ 262	\$ 262
—	—	36
—	—	11,947
—	—	2,614
<u>—</u>	<u>262</u>	<u>14,859</u>
942	6,923	61,298
—	—	566
—	—	866
<u>942</u>	<u>6,923</u>	<u>62,730</u>
<u>\$ 942</u>	<u>\$ 7,185</u>	<u>\$ 77,589</u>

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
*(dollars in thousands)*

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	HIGHWAY GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS
<b>REVENUES:</b>			
Investment Income .....	\$ 3	\$ 207	\$ —
Other .....	—	—	—
<b>TOTAL REVENUES .....</b>	<b>3</b>	<b>207</b>	<b>—</b>
<b>EXPENDITURES:</b>			
DEBT SERVICE .....	9,031	10,512	—
<b>TOTAL EXPENDITURES .....</b>	<b>9,031</b>	<b>10,512</b>	<b>—</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER (UNDER) EXPENDITURES .....</b>	<b>(9,028)</b>	<b>(10,305)</b>	<b>—</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	—	—	—
Refunding Bonds Issued .....	—	—	—
Payment to Refunded Bond Escrow Agents .....	—	—	—
Premiums .....	—	—	—
Discounts .....	—	—	—
Transfers-in .....	9,046	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>9,046</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>18</b>	<b>(10,305)</b>	<b>—</b>
<b>FUND BALANCES, JULY 1 (as restated) .....</b>	<b>19</b>	<b>11,168</b>	<b>3</b>
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 37</b>	<b>\$ 863</b>	<b>\$ 3</b>

<b>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>STATE PROJECTS GENERAL OBLIGATIONS</b>	<b>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>CONSERVATION PROJECTS GENERAL OBLIGATIONS</b>
\$ 31	\$ 3	\$ 1,750	\$ 100	\$ 148	\$ 6
<u>31</u>	<u>3</u>	<u>1,750</u>	<u>100</u>	<u>148</u>	<u>6</u>
155,810	23,742	169,462	126,649	164,318	10,160
<u>155,810</u>	<u>23,742</u>	<u>169,462</u>	<u>126,649</u>	<u>164,318</u>	<u>10,160</u>
<u>(155,779)</u>	<u>(23,739)</u>	<u>(167,712)</u>	<u>(126,549)</u>	<u>(164,170)</u>	<u>(10,154)</u>
—	38	—	—	651	—
39,530	47,425	—	—	18,880	—
(43,368)	(48,790)	—	—	(20,879)	—
11,347	1,663	9,274	19,818	17,450	—
—	—	—	—	—	—
148,274	23,399	153,509	107,904	133,667	9,150
<u>155,783</u>	<u>23,735</u>	<u>162,783</u>	<u>127,722</u>	<u>149,769</u>	<u>9,150</u>
4	(4)	(4,929)	1,173	(14,401)	(1,004)
—	41	14,937	7,439	14,506	1,040
<u>\$ 4</u>	<u>\$ 37</u>	<u>\$ 10,008</u>	<u>\$ 8,612</u>	<u>\$ 105</u>	<u>\$ 36</u>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

	ECONOMIC DEVELOPMENT REVENUE BONDS	INFRASTRUCTURE BANK REVENUE BONDS	REVITALIZATION PROJECT REVENUE BONDS
<b>REVENUES:</b>			
Investment Income .....	\$ 167	\$ 1,113	\$ 43
Other. ....	—	—	—
<b>TOTAL REVENUES .....</b>	<b>167</b>	<b>1,113</b>	<b>43</b>
<b>EXPENDITURES:</b>			
DEBT SERVICE .....	24,371	67,065	4,711
<b>TOTAL EXPENDITURES .....</b>	<b>24,371</b>	<b>67,065</b>	<b>4,711</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(24,204)</b>	<b>(65,952)</b>	<b>(4,668)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	—	—	—
Refunding Bonds Issued. ....	—	—	—
Payment to Refunded Bond Escrow Agents. ....	—	—	—
Premiums .....	784	—	—
Discounts .....	—	—	—
Transfers-in. ....	25,430	66,592	4,855
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>26,214</b>	<b>66,592</b>	<b>4,855</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>2,010</b>	<b>640</b>	<b>187</b>
<b>FUND BALANCES, JULY 1 (as restated) .....</b>	<b>7,540</b>	<b>488</b>	<b>2,691</b>
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 9,550</b>	<b>\$ 1,128</b>	<b>\$ 2,878</b>



<u>HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS</u>	<u>PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>
\$ 29	\$ 18	\$ 12	\$ 7	\$ —	\$ 69
—	—	—	—	386	696
<u>29</u>	<u>18</u>	<u>12</u>	<u>7</u>	<u>386</u>	<u>765</u>
217,992	45,845	17,779	31,711	334,768	766
<u>217,992</u>	<u>45,845</u>	<u>17,779</u>	<u>31,711</u>	<u>334,768</u>	<u>766</u>
<u>(217,963)</u>	<u>(45,827)</u>	<u>(17,767)</u>	<u>(31,704)</u>	<u>(334,382)</u>	<u>(1)</u>
—	—	—	—	29	—
173,975	30,035	11,740	—	385,250	—
(189,488)	(32,455)	(11,592)	—	(422,380)	—
17,043	3,486	1,146	—	50,818	—
—	—	—	—	(94)	—
<u>215,896</u>	<u>44,762</u>	<u>16,533</u>	<u>31,697</u>	<u>319,129</u>	<u>—</u>
<u>217,426</u>	<u>45,828</u>	<u>17,827</u>	<u>31,697</u>	<u>332,752</u>	<u>—</u>
<u>(537)</u>	<u>1</u>	<u>60</u>	<u>(7)</u>	<u>(1,630)</u>	<u>(1)</u>
<u>2,828</u>	<u>606</u>	<u>413</u>	<u>372</u>	<u>19,498</u>	<u>943</u>
<u>\$ 2,291</u>	<u>\$ 607</u>	<u>\$ 473</u>	<u>\$ 365</u>	<u>\$ 17,868</u>	<u>\$ 942</u>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	OAKS CERTIFICATES OF PARTICIPATION	TOTAL
<b>REVENUES:</b>		
Investment Income .....	\$ —	\$ 3,706
Other .....	—	1,082
<b>TOTAL REVENUES .....</b>	<b>—</b>	<b>4,788</b>
<b>EXPENDITURES:</b>		
DEBT SERVICE .....	853	1,415,545
<b>TOTAL EXPENDITURES .....</b>	<b>853</b>	<b>1,415,545</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>		
OVER (UNDER) EXPENDITURES .....	<b>(853)</b>	<b>(1,410,757)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Bonds and Certificates of Participation Issued .....	354	1,072
Refunding Bonds Issued .....	—	706,835
Payment to Refunded Bond Escrow Agents .....	—	(768,952)
Premiums .....	7,422	140,251
Discounts .....	—	(94)
Transfers-in .....	—	1,309,843
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>7,776</b>	<b>1,388,955</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>6,923</b>	<b>(21,802)</b>
<b>FUND BALANCES, JULY 1 (as restated) .....</b>	<b>—</b>	<b>84,532</b>
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 6,923</b>	<b>\$ 62,730</b>

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# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income .....		\$ 3	
Other .....		9,046	
<b>TOTAL REVENUES.....</b>		<b>9,049</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 9,216	9,031	\$ 185
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 9,216</b>	<b>9,031</b>	<b>\$ 185</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>18</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
Transfers-in .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>18</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>19</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 37</b>	

HIGHWAY GENERAL OBLIGATIONS			LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ 207			\$ 31	
	—			148,274	
	207			148,305	
\$ 10,512	10,512	\$ —	\$ 152,152	151,887	\$ 265
<u>\$ 10,512</u>	<u>10,512</u>	<u>\$ —</u>	<u>\$ 152,152</u>	<u>151,887</u>	<u>\$ 265</u>
	(10,305)			(3,582)	
	—			3,586	
	—			—	
	—			3,586	
	(10,305)			4	
	10,918			—	
	<u>\$ 613</u>			<u>\$ 4</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

	STATE PROJECTS GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income .....		\$ 4	
Other .....		23,399	
<b>TOTAL REVENUES.....</b>		<b>23,403</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 26,914	23,407	\$ 3,507
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 26,914</b>	<b>23,407</b>	<b>\$ 3,507</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(4)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
Transfers-in .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(4)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>41</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 37</b>	

**HIGHWAY CAPITAL IMPROVEMENTS  
GENERAL OBLIGATIONS**

<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>FINAL</b>	<b>ACTUAL</b>	
	\$ 1,750	
	—	
	<b>1,750</b>	
<b>\$ 173,238</b>	<b>168,409</b>	<b>\$ 4,829</b>
<b>\$ 173,238</b>	<b>168,409</b>	<b>\$ 4,829</b>
	<b>(166,659)</b>	
	8,222	
	153,509	
	<b>161,731</b>	
	<b>(4,928)</b>	
	14,937	
	<b>\$ 10,009</b>	

**HIGHER EDUCATION CAPITAL FACILITIES  
GENERAL OBLIGATIONS**

<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>FINAL</b>	<b>ACTUAL</b>	
	\$ 101	
	107,904	
	<b>108,005</b>	
<b>\$ 130,968</b>	<b>124,797</b>	<b>\$ 6,171</b>
<b>\$ 130,968</b>	<b>124,797</b>	<b>\$ 6,171</b>
	<b>(16,792)</b>	
	17,966	
	—	
	<b>17,966</b>	
	<b>1,174</b>	
	7,439	
	<b>\$ 8,613</b>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)  
(continued)

COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income .....		\$ 148	
Other .....		133,667	
<b>TOTAL REVENUES.....</b>		<b>133,815</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 165,989	163,217	\$ 2,772
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 165,989</b>	<b>163,217</b>	<b>\$ 2,772</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(29,402)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		15,000	
Transfers-in .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>15,000</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(14,402)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>14,506</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 104</b>	



CONSERVATION PROJECTS GENERAL OBLIGATIONS			TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ 6			\$ 2,250	
	9,150			431,440	
	<u>9,156</u>			<u>433,690</u>	
\$ 11,236	10,160	\$ 1,076	\$ 680,225	661,420	\$ 18,805
<u>\$ 11,236</u>	<u>10,160</u>	<u>\$ 1,076</u>	<u>\$ 680,225</u>	<u>661,420</u>	<u>\$ 18,805</u>
	(1,004)			(227,730)	
	—			44,774	
	—			153,509	
	—			<u>198,283</u>	
	(1,004)			(29,447)	
	1,040			48,900	
	<u>\$ 36</u>			<u>\$ 19,453</u>	

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## ***NONMAJOR CAPITAL PROJECTS FUNDS***

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**Capital Projects Funds** account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Infrastructure Bank Obligations Fund** accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

The **Mental Health/Mental Retardation Facilities Improvements Fund** accounts for special obligation bond proceeds that finance the construction of mental health/mental retardation facilities.

The **Parks and Recreation Improvements Fund** accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

The **Administrative Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

The **Youth Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

The **Transportation Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

The **Adult Correctional Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

The **Highway Safety Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Public Safety.

The **Ohio Parks and Natural Resources Fund** accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

The **Highway Capital Improvement Fund** accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

The **OAKS Project Fund** accounts for certificate of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project, which is a statewide enterprise resource planning system.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 37,314	\$ 6,319	\$ 21,929
Investments .....	—	—	—
Collateral on Lent Securities .....	22,140	3,749	13,012
Interfund Receivable .....	—	1	—
<b>TOTAL ASSETS .....</b>	<b>\$ 59,454</b>	<b>\$ 10,069</b>	<b>\$ 34,941</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 728	\$ 4,651	\$ 577
Obligations Under Securities Lending .....	22,140	3,749	13,012
Interfund Payable .....	—	—	—
<b>TOTAL LIABILITIES .....</b>	<b>22,868</b>	<b>8,400</b>	<b>13,589</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	48,543	28,490	8,793
Unreserved/Undesignated (Deficits) .....	(11,957)	(26,821)	12,559
<b>TOTAL FUND BALANCES .....</b>	<b>36,586</b>	<b>1,669</b>	<b>21,352</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 59,454</b>	<b>\$ 10,069</b>	<b>\$ 34,941</b>

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>	<u>HIGHWAY CAPITAL IMPROVEMENT</u>
\$ 86,399	\$ 4,288	\$ 81,977	\$ 5,227	\$ 25,086	\$ 119,944
—	—	—	—	—	—
51,266	2,544	48,642	3,102	14,885	71,170
—	—	—	—	—	—
<u>\$ 137,665</u>	<u>\$ 6,832</u>	<u>\$ 130,619</u>	<u>\$ 8,329</u>	<u>\$ 39,971</u>	<u>\$ 191,114</u>
\$ 5,458	\$ 1,987	\$ 11,615	\$ 296	\$ 811	\$ 18,669
51,266	2,544	48,642	3,102	14,885	71,170
—	—	—	—	—	—
<u>56,724</u>	<u>4,531</u>	<u>60,257</u>	<u>3,398</u>	<u>15,696</u>	<u>89,839</u>
34,761	18,016	30,380	1,584	9,683	201,026
<u>46,180</u>	<u>(15,715)</u>	<u>39,982</u>	<u>3,347</u>	<u>14,592</u>	<u>(99,751)</u>
80,941	2,301	70,362	4,931	24,275	101,275
<u>\$ 137,665</u>	<u>\$ 6,832</u>	<u>\$ 130,619</u>	<u>\$ 8,329</u>	<u>\$ 39,971</u>	<u>\$ 191,114</u>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<u>OAKS PROJECT</u>	<u>TOTAL</u>
<b>ASSETS:</b>		
Cash Equity with Treasurer .....	\$ —	\$ 388,483
Investments .....	75,356	75,356
Collateral on Lent Securities .....	—	230,510
Interfund Receivable .....	—	1
<b>TOTAL ASSETS .....</b>	<b>\$ 75,356</b>	<b>\$ 694,350</b>
<b>LIABILITIES AND FUND BALANCES:</b>		
<b>LIABILITIES:</b>		
Accounts Payable .....	\$ 4,310	\$ 49,102
Obligations Under Securities Lending .....	—	230,510
Interfund Payable .....	323	323
<b>TOTAL LIABILITIES .....</b>	<b>4,633</b>	<b>279,935</b>
<b>FUND BALANCES:</b>		
Reserved for:		
Encumbrances .....	—	381,276
Unreserved/Undesignated (Deficits) .....	70,723	33,139
<b>TOTAL FUND BALANCES .....</b>	<b>70,723</b>	<b>414,415</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 75,356</b>	<b>\$ 694,350</b>

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# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
<b>REVENUES:</b>			
Sales, Services and Charges .....	\$ —	\$ 142	\$ —
Investment Income .....	1,320	223	259
Other .....	—	191	—
<b>TOTAL REVENUES .....</b>	<b><u>1,320</u></b>	<b><u>556</u></b>	<b><u>259</u></b>
<b>EXPENDITURES:</b>			
CAPITAL OUTLAY .....	52,695	34,930	14,683
DEBT SERVICE .....	129	—	—
<b>TOTAL EXPENDITURES .....</b>	<b><u>52,824</u></b>	<b><u>34,930</u></b>	<b><u>14,683</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b><u>(51,504)</u></b>	<b><u>(34,374)</u></b>	<b><u>(14,424)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	—	25,000	23,100
Premiums .....	—	—	—
Transfers-out .....	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b><u>—</u></b>	<b><u>25,000</u></b>	<b><u>23,100</u></b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b><u>(51,504)</u></b>	<b><u>(9,374)</u></b>	<b><u>8,676</u></b>
<b>FUND BALANCES, JULY 1 .....</b>	<b><u>88,090</u></b>	<b><u>11,043</u></b>	<b><u>12,676</u></b>
<b>FUND BALANCES, JUNE 30 .....</b>	<b><u>\$ 36,586</u></b>	<b><u>\$ 1,669</u></b>	<b><u>\$ 21,352</u></b>



<b><u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u></b>	<b><u>YOUTH SERVICES BUILDING IMPROVEMENTS</u></b>	<b><u>TRANSPORTATION BUILDING IMPROVEMENTS</u></b>	<b><u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u></b>	<b><u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u></b>	<b><u>OHIO PARKS AND NATURAL RESOURCES</u></b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1,267	139	—	670	45	344
3,181	—	—	1	—	129
<u>4,448</u>	<u>139</u>	<u>—</u>	<u>671</u>	<u>45</u>	<u>473</u>
81,965	8,197	28	44,950	2,183	17,905
—	—	—	—	—	—
<u>81,965</u>	<u>8,197</u>	<u>28</u>	<u>44,950</u>	<u>2,183</u>	<u>17,905</u>
<u>(77,517)</u>	<u>(8,058)</u>	<u>(28)</u>	<u>(44,279)</u>	<u>(2,138)</u>	<u>(17,432)</u>
85,000	—	—	75,000	4,971	24,962
338	—	—	2,311	—	—
(374)	—	—	—	—	—
<u>84,964</u>	<u>—</u>	<u>—</u>	<u>77,311</u>	<u>4,971</u>	<u>24,962</u>
7,447	(8,058)	(28)	33,032	2,833	7,530
73,494	10,359	28	37,330	2,098	16,745
<u>\$ 80,941</u>	<u>\$ 2,301</u>	<u>\$ —</u>	<u>\$ 70,362</u>	<u>\$ 4,931</u>	<u>\$ 24,275</u>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>	<u>OAKS PROJECT</u>	<u>TOTAL</u>
<b>REVENUES:</b>			
Sales, Services and Charges .....	\$ —	\$ —	\$ 142
Investment Income .....	1,743	—	6,010
Other. ....	55	—	3,557
<b>TOTAL REVENUES .....</b>	<b><u>1,798</u></b>	<b><u>—</u></b>	<b><u>9,709</u></b>
<b>EXPENDITURES:</b>			
CAPITAL OUTLAY .....	180,761	8,108	446,405
DEBT SERVICE .....	—	—	129
<b>TOTAL EXPENDITURES .....</b>	<b><u>180,761</u></b>	<b><u>8,108</u></b>	<b><u>446,534</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b><u>(178,963)</u></b>	<b><u>(8,108)</u></b>	<b><u>(436,825)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	140,000	78,831	456,864
Premiums .....	—	—	2,649
Transfers-out .....	—	—	(374)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b><u>140,000</u></b>	<b><u>78,831</u></b>	<b><u>459,139</u></b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b><u>(38,963)</u></b>	<b><u>70,723</u></b>	<b><u>22,314</u></b>
<b>FUND BALANCES, JULY 1 .....</b>	<b><u>140,238</u></b>	<b><u>—</u></b>	<b><u>392,101</u></b>
<b>FUND BALANCES, JUNE 30 .....</b>	<b><u>\$ 101,275</u></b>	<b><u>\$ 70,723</u></b>	<b><u>\$ 414,415</u></b>

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# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		1,320	
Other .....		—	
<b>TOTAL REVENUES.....</b>		<b>1,320</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CAPITAL OUTLAY.....</b>	\$ 171,921	105,822	\$ 66,099
<b>DEBT SERVICE.....</b>	129	129	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 172,050</b>	<b>105,951</b>	<b>\$ 66,099</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(104,631)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(104,631)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1 .....		(13,424)	
Outstanding Encumbrances at Beginning of Fiscal Year		106,098	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30 .....		<b>\$ (11,957)</b>	

**MENTAL HEALTH/MENTAL RETARDATION  
FACILITIES IMPROVEMENTS**

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 142	
	223	
	190	
	<u>555</u>	
\$ 111,521	66,243	\$ 45,278
<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 111,521</u>	<u>66,243</u>	<u>\$ 45,278</u>
	<u>(65,688)</u>	
	25,000	
	<u>—</u>	
	<u>25,000</u>	
	<u>(40,688)</u>	
	(35,678)	
	48,834	
	<u>\$ (27,532)</u>	

**PARKS AND RECREATION IMPROVEMENTS**

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —	
	259	
	<u>—</u>	
	<u>259</u>	
\$ 56,833	24,388	\$ 32,445
<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 56,833</u>	<u>24,388</u>	<u>\$ 32,445</u>
	<u>(24,129)</u>	
	23,100	
	<u>—</u>	
	<u>23,100</u>	
	<u>(1,029)</u>	
	(3,638)	
	17,249	
	<u>\$ 12,582</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

	ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		1,267	
Other .....		3,181	
<b>TOTAL REVENUES.....</b>		<b>4,448</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CAPITAL OUTLAY.....</b>	\$ 237,224	122,615	\$ 114,609
<b>DEBT SERVICE.....</b>	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 237,224</b>	<b>122,615</b>	<b>\$ 114,609</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(118,167)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		85,338	
Transfers-out.....		(374)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>84,964</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(33,203)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1 .....		(9,128)	
Outstanding Encumbrances at Beginning of Fiscal Year		89,168	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30 .....		<b>\$ 46,837</b>	

**YOUTH SERVICES BUILDING IMPROVEMENTS**

		VARIANCE WITH FINAL BUDGET
BUDGET		POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
	\$ —	
	139	
	—	
	<u>139</u>	
\$ 38,389	26,422	\$ 11,967
—	—	—
<u>\$ 38,389</u>	<u>26,422</u>	<u>\$ 11,967</u>
	<u>(26,283)</u>	
	—	
	—	
	—	
	<u>(26,283)</u>	
	6,320	
	<u>4,039</u>	
	<u>\$ (15,924)</u>	

**TRANSPORTATION BUILDING IMPROVEMENTS**

		VARIANCE WITH FINAL BUDGET
BUDGET		POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
	\$ —	
	—	
	—	
	<u>—</u>	
\$ 69	28	\$ 41
—	—	—
<u>\$ 69</u>	<u>28</u>	<u>\$ 41</u>
	<u>(28)</u>	
	—	
	—	
	—	
	<u>(28)</u>	
	(35)	
	<u>63</u>	
	<u>\$ —</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

	ADULT CORRECTIONAL BUILDING IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		670	
Other .....		1	
<b>TOTAL REVENUES.....</b>		<b>671</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CAPITAL OUTLAY.....</b>	\$ 201,312	83,544	\$ 117,768
<b>DEBT SERVICE.....</b>	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 201,312</b>	<b>83,544</b>	<b>\$ 117,768</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(82,873)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		77,311	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>77,311</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(5,562)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>		1,981	
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>		42,179	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 38,598</b>	



**HIGHWAY SAFETY BUILDING IMPROVEMENTS**

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —	
	45	
	—	
	<u>45</u>	
\$ 10,315	4,124	\$ 6,191
—	—	—
<u>\$ 10,315</u>	<u>4,124</u>	<u>\$ 6,191</u>
	<u>(4,079)</u>	
	4,971	
	—	
	<u>4,971</u>	
	892	
	(188)	
	<u>2,643</u>	
	<u>\$ 3,347</u>	

**OHIO PARKS AND NATURAL RESOURCES**

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —	
	344	
	129	
	<u>473</u>	
\$ 80,235	30,594	\$ 49,641
—	—	—
<u>\$ 80,235</u>	<u>30,594</u>	<u>\$ 49,641</u>
	<u>(30,121)</u>	
	24,962	
	—	
	<u>24,962</u>	
	(5,159)	
	(2,769)	
	<u>22,064</u>	
	<u>\$ 14,136</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

	HIGHWAY CAPITAL IMPROVEMENT		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		1,743	
Other .....		55	
<b>TOTAL REVENUES.....</b>		<b>1,798</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CAPITAL OUTLAY.....</b>	\$ 614,636	392,945	\$ 221,691
<b>DEBT SERVICE.....</b>	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 614,636</b>	<b>392,945</b>	<b>\$ 221,691</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(391,147)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		140,000	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>140,000</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(251,147)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>		<b>(124,468)</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>		<b>275,933</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ (99,682)</b>	

<b>TOTAL</b>		
<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>
<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
	\$ 142	
	6,010	
	3,556	
	<b>9,708</b>	
\$ 1,522,455	856,725	\$ 665,730
129	129	—
<b>\$ 1,522,584</b>	<b>856,854</b>	<b>\$ 665,730</b>
	<b>(847,146)</b>	
	380,682	
	(374)	
	<b>380,308</b>	
	<b>(466,838)</b>	
	(181,027)	
	608,270	
	<b>\$ (39,595)</b>	

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## ***NONMAJOR ENTERPRISE FUNDS***

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**Enterprise Funds** may be used to report any activity for which a fee is charged to external users for goods or services.

The **Ohio Building Authority Fund** accounts for the Authority's local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

The **Tuition Trust Authority Fund** accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

The **Liquor Control Fund** accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

The **Underground Parking Garage Fund** accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

The **Office of Auditor of State Fund** accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS – ENTERPRISE**  
**JUNE 30, 2005**  
*(dollars in thousands)*

	<b>OHIO BUILDING AUTHORITY</b>	<b>TUITION TRUST AUTHORITY</b>	<b>LIQUOR CONTROL</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ 182	\$ 14,318
Cash and Cash Equivalents.....	516	665	6,617
Collateral on Lent Securities.....	1	566	8,495
Restricted Assets:			
Investments.....	26,118	67,300	—
Intergovernmental Receivable.....	—	—	—
Interfund Receivable.....	—	—	10
Other Receivables.....	3,298	1,891	—
Inventories.....	—	—	35,071
Other Assets.....	548	—	108
<b>TOTAL CURRENT ASSETS.....</b>	<b>30,481</b>	<b>70,604</b>	<b>64,619</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Investments.....	—	721,584	—
Investments.....	—	74,272	—
Interfund Receivable.....	—	—	—
Other Receivables.....	8,995	—	—
Other Assets.....	22	—	—
Capital Assets Being Depreciated, Net.....	—	167	1,333
Capital Assets Not Being Depreciated.....	—	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>9,017</b>	<b>796,023</b>	<b>1,333</b>
<b>TOTAL ASSETS.....</b>	<b>39,498</b>	<b>866,627</b>	<b>65,952</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	3,437	207	26,543
Accrued Liabilities.....	90	328	935
Obligations Under Securities Lending.....	1	566	8,495
Intergovernmental Payable.....	—	—	414
Interfund Payable.....	—	—	2,948
Unearned Revenue.....	—	—	—
Benefits Payable.....	—	67,300	—
Refund and Other Liabilities.....	113	867	2,707
Bonds and Notes Payable.....	2,047	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>5,688</b>	<b>69,268</b>	<b>42,042</b>
<b>NONCURRENT LIABILITIES:</b>			
Interfund Payable.....	—	—	2,434
Benefits Payable.....	—	1,039,500	—
Refund and Other Liabilities.....	—	—	2,467
Bonds and Notes Payable.....	6,814	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>6,814</b>	<b>1,039,500</b>	<b>4,901</b>
<b>TOTAL LIABILITIES.....</b>	<b>12,502</b>	<b>1,108,768</b>	<b>46,943</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	—	167	1,333
Unrestricted (Deficits).....	26,996	(242,308)	17,676
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ 26,996</b>	<b>\$ (242,141)</b>	<b>\$ 19,009</b>

<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL NONMAJOR PROPRIETARY FUNDS</b>
\$ 2,050	\$ 8,110	\$ 24,660
—	—	7,798
1,216	—	10,278
—	—	93,418
—	30	30
—	2,986	2,996
—	9,049	14,238
—	—	35,071
18	294	968
<b>3,284</b>	<b>20,469</b>	<b>189,457</b>
—	—	721,584
—	—	74,272
—	8,989	8,989
—	—	8,995
—	—	22
6,602	2,598	10,700
71	—	71
<b>6,673</b>	<b>11,587</b>	<b>824,633</b>
<b>9,957</b>	<b>32,056</b>	<b>1,014,090</b>
170	1,403	31,760
50	3,174	4,577
1,216	—	10,278
—	—	414
2	—	2,950
10	—	10
—	—	67,300
7	1,393	5,087
—	—	2,047
<b>1,455</b>	<b>5,970</b>	<b>124,423</b>
203	—	2,637
—	—	1,039,500
74	15,701	18,242
—	—	6,814
<b>277</b>	<b>15,701</b>	<b>1,067,193</b>
<b>1,732</b>	<b>21,671</b>	<b>1,191,616</b>
6,673	2,392	10,565
1,552	7,993	(188,091)
<b>\$ 8,225</b>	<b>\$ 10,385</b>	<b>\$ (177,526)</b>

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ 24,798	\$ 7,311	\$ 554,971
Investment Income.....	—	70,116	—
Other.....	2,055	—	1,242
<b>TOTAL OPERATING REVENUES.....</b>	<b>26,853</b>	<b>77,427</b>	<b>556,213</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	22,523	—	344,675
Administration.....	2,523	8,555	55,677
Benefits and Claims.....	—	21,634	—
Depreciation.....	—	25	309
Other.....	1,516	—	526
<b>TOTAL OPERATING EXPENSES.....</b>	<b>26,562</b>	<b>30,214</b>	<b>401,187</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>291</b>	<b>47,213</b>	<b>155,026</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	404	—	—
Interest Expense.....	(765)	—	—
Federal Grants.....	—	—	—
Other.....	—	—	—
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>(361)</b>	<b>—</b>	<b>—</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(70)</b>	<b>47,213</b>	<b>155,026</b>
<b>TRANSFERS:</b>			
Transfers-in.....	21,765	—	—
Transfers-out.....	(23,156)	—	(154,595)
<b>TOTAL TRANSFERS.....</b>	<b>(1,391)</b>	<b>—</b>	<b>(154,595)</b>
<b>NET INCOME (LOSS).....</b>	<b>(1,461)</b>	<b>47,213</b>	<b>431</b>
<b>NET ASSETS (DEFICITS), JULY 1 .....</b>	<b>28,457</b>	<b>(289,354)</b>	<b>18,578</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ 26,996</b>	<b>\$ (242,141)</b>	<b>\$ 19,009</b>



<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL NONMAJOR PROPRIETARY FUNDS</b>
\$ 2,637	\$ 40,302	\$ 630,019
—	—	70,116
1	310	3,608
<b>2,638</b>	<b>40,612</b>	<b>703,743</b>
—	63,878	431,076
1,986	7,850	76,591
—	—	21,634
564	1,656	2,554
142	103	2,287
<b>2,692</b>	<b>73,487</b>	<b>534,142</b>
<b>(54)</b>	<b>(32,875)</b>	<b>169,601</b>
37	—	441
—	(14)	(779)
—	79	79
—	9	9
<b>37</b>	<b>74</b>	<b>(250)</b>
<b>(17)</b>	<b>(32,801)</b>	<b>169,351</b>
—	33,482	55,247
(757)	—	(178,508)
<b>(757)</b>	<b>33,482</b>	<b>(123,261)</b>
<b>(774)</b>	<b>681</b>	<b>46,090</b>
8,999	9,704	(223,616)
<b>\$ 8,225</b>	<b>\$ 10,385</b>	<b>\$ (177,526)</b>

**STATE OF OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NOMAJOR PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
*(dollars in thousands)*

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ 25,813	\$ —	\$ 555,284
Cash Received from Interfund Services Provided.....	1,186	—	10
Other Operating Cash Receipts.....	2,004	16,388	1,245
Cash Payments to Suppliers for Goods and Services.....	(26,635)	(521)	(376,476)
Cash Payments to Employees for Services.....	(1,113)	(5,985)	(17,798)
Cash Payments for Interfund Services Used.....	—	(41)	(1,808)
Other Operating Cash Payments.....	—	(67,315)	(1)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>1,255</b>	<b>(57,474)</b>	<b>160,456</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	21,765	—	—
Transfers-out .....	(23,156)	—	(154,595)
Federal Grants.....	—	—	—
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(1,391)</b>	<b>—</b>	<b>(154,595)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds and Capital Leases.....	(1,691)	—	—
Interest Paid .....	(408)	—	—
Acquisition and Construction of Capital Assets .....	—	(76)	(589)
Principal Receipts on Capital Leases Receivable.....	1,691	—	—
Proceeds from Sales of Capital Assets .....	—	—	12
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(408)</b>	<b>(76)</b>	<b>(577)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(62,396)	(266,928)	—
Proceeds from the Sales and Maturities of Investments .....	62,638	299,932	—
Investment Income Received .....	357	24,703	—
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>599</b>	<b>57,707</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>55</b>	<b>157</b>	<b>5,284</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1.....</b>	<b>461</b>	<b>690</b>	<b>15,651</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 516</b>	<b>\$ 847</b>	<b>\$ 20,935</b>

<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL NONMAJOR PROPRIETARY FUNDS</b>
\$ 2,026	\$ 32,665	\$ 615,788
621	7,711	9,528
1	868	20,506
(801)	(7,628)	(412,061)
(1,070)	(62,462)	(88,428)
(43)	(165)	(2,057)
(85)	(268)	(67,669)
<b>649</b>	<b>(29,279)</b>	<b>75,607</b>
—	30,629	52,394
(757)	—	(178,508)
—	49	49
<b>(757)</b>	<b>30,678</b>	<b>(126,065)</b>
—	(45)	(1,736)
—	(13)	(421)
(145)	(207)	(1,017)
—	—	1,691
—	54	66
<b>(145)</b>	<b>(211)</b>	<b>(1,417)</b>
—	—	(329,324)
—	—	362,570
41	—	25,101
<b>41</b>	<b>—</b>	<b>58,347</b>
<b>(212)</b>	<b>1,188</b>	<b>6,472</b>
2,262	6,922	25,986
<b>\$ 2,050</b>	<b>\$ 8,110</b>	<b>\$ 32,458</b>
		(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

(dollars in thousands)

(continued)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ 291	\$ 47,213	\$ 155,026
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	(70,116)	—
Depreciation .....	—	25	309
Provision for Uncollectible Accounts.....	—	—	—
Amortization of Premiums and Discounts.....	1,084	—	—
Decrease (Increase) in Assets:			
Interfund Receivable.....	—	—	2
Other Receivables .....	(15)	3,155	—
Inventories .....	—	—	(1,767)
Other Assets .....	30	—	64
Increase (Decrease) in Liabilities:			
Accounts Payable .....	(135)	(122)	6,247
Accrued Liabilities.....	—	137	22
Intergovernmental Payable.....	—	—	14
Interfund Payable.....	—	—	274
Benefits Payable.....	—	(34,900)	—
Refund and Other Liabilities.....	—	(2,866)	265
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ 1,255</b>	<b>\$ (57,474)</b>	<b>\$ 160,456</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in Fair Value of Investments.....	\$ —	\$ 7,861	\$ —
Contributions of Capital Assets from Other Funds.....	—	—	—
Capital Assets Acquired under Capital Leases.....	—	—	—

<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL NONMAJOR PROPRIETARY FUNDS</b>
\$ (54)	\$ (32,875)	\$ 169,601
—	—	(70,116)
564	1,656	2,554
—	26	26
—	—	1,084
—	—	2
—	(315)	2,825
—	—	(1,767)
17	155	266
149	39	6,178
(9)	128	278
—	—	14
27	—	301
—	—	(34,900)
(45)	1,907	(739)
<b>\$ 649</b>	<b>\$ (29,279)</b>	<b>\$ 75,607</b>

\$ —	\$ —	\$ 7,861
—	1,039	1,039
—	168	168

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## ***AGENCY FUNDS***

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**Agency Funds** account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

The **Holding and Distribution Fund** accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

The **Centralized Child Support Collections Fund** accounts for assets temporarily held for custodial parents.

The **Retirement Systems Fund** accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

The **Payroll Withholding and Fringe Benefits Fund** primarily accounts for assets held to liquidate the State's payroll withholding obligations.

The **Other Fund** accounts for assets held for others, which are not accounted for in another agency fund.

# STATE OF OHIO

## COMBINING STATEMENT OF ASSETS AND LIABILITIES

### AGENCY FUNDS

JUNE 30, 2005

(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	RETIREMENT SYSTEMS
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 21,698	\$ —	\$ —
Cash and Cash Equivalents.....	3	80,139	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	9,042,537
Common and Preferred Stock.....	—	—	62,296,101
Corporate Bonds and Notes.....	—	—	10,546,280
Foreign Stocks and Bonds.....	—	—	30,920,809
Commercial Paper.....	—	—	3,082,560
Repurchase Agreements.....	—	—	98,700
Mutual Funds.....	—	—	5,805,202
Real Estate.....	—	—	10,042,297
Venture Capital.....	—	—	2,270,024
Direct Mortgage Loans.....	—	—	9,884,955
Investment Contracts.....	—	—	6,018
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	10,338	—
Collateral on Lent Securities.....	12,875	269	—
Other Receivables.....	1,705	—	—
Other Assets.....	—	—	—
<b>TOTAL ASSETS.....</b>	<b>\$ 36,281</b>	<b>\$ 90,746</b>	<b>\$ 143,995,483</b>
<b>LIABILITIES:</b>			
Obligations Under Securities Lending.....	\$ 12,875	\$ 269	\$ —
Intergovernmental Payable.....	7,078	—	—
Refund and Other Liabilities.....	16,328	90,477	143,995,483
<b>TOTAL LIABILITIES.....</b>	<b>\$ 36,281</b>	<b>\$ 90,746</b>	<b>\$ 143,995,483</b>



<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>	<b>OTHER</b>	<b>TOTAL</b>
\$ 112,559	\$ 87,170	\$ 221,427
8,820	16,126	105,088
—	—	9,042,537
—	—	62,296,101
—	—	10,546,280
—	—	30,920,809
—	—	3,082,560
90	—	98,790
—	—	5,805,202
—	—	10,042,297
—	—	2,270,024
—	—	9,884,955
—	—	6,018
—	18,382	28,720
66,788	62,557	142,489
—	7,482	9,187
—	434,194	434,194
<b>\$ 188,257</b>	<b>\$ 625,911</b>	<b>\$ 144,936,678</b>
\$ 66,788	\$ 62,557	\$ 142,489
357	79,235	86,670
121,112	484,119	144,707,519
<b>\$ 188,257</b>	<b>\$ 625,911</b>	<b>\$ 144,936,678</b>

# STATE OF OHIO

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

### AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	BALANCE July 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2005
<b>HOLDING AND DISTRIBUTION</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 11,441	\$ 331,497	\$ 321,240	\$ 21,698
Cash and Cash Equivalents .....	417	839,229	839,643	3
Collateral on Lent Securities .....	3,708	12,875	3,708	12,875
Other Receivables .....	3,323	1,705	3,323	1,705
Total Assets .....	<u>\$ 18,889</u>	<u>\$ 1,185,306</u>	<u>\$ 1,167,914</u>	<u>\$ 36,281</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 3,708	\$ 12,875	\$ 3,708	\$ 12,875
Intergovernmental Payable .....	2,103	49,769	44,794	7,078
Refund and Other Liabilities .....	13,078	1,082,431	1,079,181	16,328
Total Liabilities .....	<u>\$ 18,889</u>	<u>\$ 1,145,075</u>	<u>\$ 1,127,683</u>	<u>\$ 36,281</u>
<b>CENTRALIZED CHILD SUPPORT COLLECTIONS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents .....	\$ 79,687	\$ 2,067,362	\$ 2,066,910	\$ 80,139
Investments.....	16,047	—	5,709	10,338
Collateral on Lent Securities.....	3,657	269	3,657	269
Total Assets .....	<u>\$ 99,391</u>	<u>\$ 2,067,631</u>	<u>\$ 2,076,276</u>	<u>\$ 90,746</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 3,657	\$ 269	\$ 3,657	\$ 269
Refund and Other Liabilities .....	95,734	2,067,362	2,072,619	90,477
Total Liabilities .....	<u>\$ 99,391</u>	<u>\$ 2,067,631</u>	<u>\$ 2,076,276</u>	<u>\$ 90,746</u>
<b>RETIREMENT SYSTEMS</b>				
<b>ASSETS</b>				
Investments .....	\$ 131,336,182	\$ 222,851,227	\$ 210,191,926	\$ 143,995,483
Total Assets .....	<u>\$ 131,336,182</u>	<u>\$ 222,851,227</u>	<u>\$ 210,191,926</u>	<u>\$ 143,995,483</u>
<b>LIABILITIES</b>				
Refund and Other Liabilities:				
Liability to:				
Public Employees Retirement System .....	\$ 59,166,050	\$ 97,138,779	\$ 90,923,842	\$ 65,380,987
Police and Fire Pension Fund.....	9,030,217	16,426,797	15,577,001	9,880,013
School Employees Retirement System .....	8,480,055	57,661,483	57,043,849	9,097,689
State Teachers Retirement System .....	54,659,860	51,624,168	46,647,234	59,636,794
Total Liabilities .....	<u>\$ 131,336,182</u>	<u>\$ 222,851,227</u>	<u>\$ 210,191,926</u>	<u>\$ 143,995,483</u>

	BALANCE July 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2005
<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 85,840	\$ 2,465,908	\$ 2,439,189	\$ 112,559
Cash and Cash Equivalents .....	15,695	305,144	312,019	8,820
Investments.....	80	90	80	90
Collateral on Lent Securities.....	34,734	66,788	34,734	66,788
Other Receivables.....	—	3,997	3,997	—
Total Assets .....	<u>\$ 136,349</u>	<u>\$ 2,841,927</u>	<u>\$ 2,790,019</u>	<u>\$ 188,257</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 34,734	\$ 66,788	\$ 34,734	\$ 66,788
Intergovernmental Payable .....	357	425,385	425,385	357
Refund and Other Liabilities .....	101,258	1,752,170	1,732,316	121,112
Total Liabilities .....	<u>\$ 136,349</u>	<u>\$ 2,244,343</u>	<u>\$ 2,192,435</u>	<u>\$ 188,257</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 73,486	\$ 1,818,605	\$ 1,804,921	\$ 87,170
Cash and Cash Equivalents.....	33,437	19,288,819	19,306,130	16,126
Investments .....	16,899	2,543	1,060	18,382
Collateral on Lent Securities.....	204,909	62,557	204,909	62,557
Other Receivables .....	2	8,473	993	7,482
Other Assets .....	424,455	99,573	89,834	434,194
Total Assets .....	<u>\$ 753,188</u>	<u>\$ 21,280,570</u>	<u>\$ 21,407,847</u>	<u>\$ 625,911</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 204,909	\$ 62,557	\$ 204,909	\$ 62,557
Intergovernmental Payable .....	68,853	1,778,099	1,767,717	79,235
Refund and Other Liabilities .....	479,426	19,437,473	19,432,780	484,119
Total Liabilities .....	<u>\$ 753,188</u>	<u>\$ 21,278,129</u>	<u>\$ 21,405,406</u>	<u>\$ 625,911</u>
<b>TOTAL AGENCY</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer.....	\$ 170,767	\$ 4,616,010	\$ 4,565,350	\$ 221,427
Cash and Cash Equivalents.....	129,236	22,500,554	22,524,702	105,088
Investments .....	131,369,208	222,853,860	210,198,775	144,024,293
Collateral on Lent Securities.....	247,008	142,489	247,008	142,489
Other Receivables .....	3,325	14,175	8,313	9,187
Other Assets .....	424,455	99,573	89,834	434,194
Total Assets .....	<u>\$ 132,343,999</u>	<u>\$ 250,226,661</u>	<u>\$ 237,633,982</u>	<u>\$ 144,936,678</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 247,008	\$ 142,489	\$ 247,008	\$ 142,489
Intergovernmental Payable .....	71,313	2,253,253	2,237,896	86,670
Refund and Other Liabilities .....	132,025,678	247,190,663	234,508,822	144,707,519
Total Liabilities .....	<u>\$ 132,343,999</u>	<u>\$ 249,586,405</u>	<u>\$ 236,993,726</u>	<u>\$ 144,936,678</u>

## ***NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS***

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**Nonmajor Discretely Presented Component Unit Funds** account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

The **Cultural Facilities Commission Fund** accounts for the Cultural Facilities Commission's operations, including the construction of cultural arts and sports facilities at the state and local level.

The **SchoolNet Commission Fund** accounts for the SchoolNet Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

The **Ohio Air Quality Development Authority Fund** accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2004.

The **Ohio University Fund** accounts for the operations of Ohio University, Ohio University Foundation, and Ohio University Osteopathic Medical Center, Inc. The university is located in Athens, Ohio.

The **Miami University Fund** accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

The **University of Akron Fund** accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

The **Bowling Green State University Fund** accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

The **Kent State University Fund** accounts for the operations of Kent State University and the Kent State University Foundation.

The **University of Toledo Fund** accounts for the operations of the University of Toledo and the University of Toledo Foundation.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University and the Cleveland State University Foundation.

The **Youngstown State University Fund** accounts for the operations of Youngstown State University, the Youngstown State University Foundation, and the University Housing Corporation.

The **Wright State University Fund** accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

The **Shawnee State University Fund** accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

The **Central State University Fund** accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

The **Medical University of Ohio** accounts for the operations of the Medical University of Ohio and its hospital, the Medical University of Ohio at Toledo Foundation, and the Medical College of Ohio Clinical Faculty, Inc.

The **Terra State Community College Fund** accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

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The **Columbus State Community College Fund** accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

The **Clark State Community College Fund** accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

The **Edison State Community College Fund** accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

The **Southern State Community College Fund** accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

The **Washington State Community College Fund** accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

The **Cincinnati State Community College Fund** accounts for the operations of Cincinnati State Community College.

The **Northwest State Community College Fund** accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

The **Owens State Community College Fund** accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2005**  
(dollars in thousands)

	<b>CULTURAL FACILITIES COMMISSION</b>	<b>SCHOOLNET COMMISSION</b>	<b>OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/04)</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 9,955	\$ 5,220	\$ 15,439
Cash and Cash Equivalents.....	—	—	2,575
Investments.....	—	—	—
Collateral on Lent Securities.....	5,907	3,097	—
Intergovernmental Receivable.....	—	—	10
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	—	720	—
Other Receivables.....	—	20	321
Inventories.....	—	—	—
Other Assets.....	1	1	3
<b>TOTAL CURRENT ASSETS.....</b>	<b>15,863</b>	<b>9,058</b>	<b>18,348</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	47,213	476	22
Capital Assets Not Being Depreciated.....	11,858	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>59,071</b>	<b>476</b>	<b>22</b>
<b>TOTAL ASSETS.....</b>	<b>74,934</b>	<b>9,534</b>	<b>18,370</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	12,107	583	47
Accrued Liabilities.....	31	300	32
Obligations Under Securities Lending.....	5,907	3,097	—
Intergovernmental Payable.....	—	—	4
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	7	44	4
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>18,052</b>	<b>4,024</b>	<b>87</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	53	479	159
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>53</b>	<b>479</b>	<b>159</b>
<b>TOTAL LIABILITIES.....</b>	<b>18,105</b>	<b>4,503</b>	<b>246</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	59,071	476	22
Restricted for:			
Federal Programs.....	—	19	—
Coal Research and Development Program.....	—	—	13,079
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes....	—	—	—
Unrestricted (Deficits).....	(2,242)	4,536	5,023
<b>TOTAL NET ASSETS.....</b>	<b>\$ 56,829</b>	<b>\$ 5,031</b>	<b>\$ 18,124</b>

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
37,521	33,784	19,615	2,461	264,653	10,041
154,686	220,529	115,650	142,773	81,270	13,624
—	—	—	—	—	—
13,110	2,685	—	—	1,428	7,738
3,329	3,458	2,132	1,012	—	2,487
3,727	4,306	—	41	1,958	778
21,250	9,620	27,685	18,659	16,770	17,645
1,824	3,213	1,316	4,633	1,586	368
17,494	690	4,600	215	1,885	1,850
<b>252,941</b>	<b>278,285</b>	<b>170,998</b>	<b>169,794</b>	<b>369,550</b>	<b>54,531</b>
25,161	1,704	—	—	—	—
—	—	—	121,793	—	143,057
113,604	280,964	182,580	—	70,884	62,019
11,030	5,525	9,770	7,391	21,737	12,658
5,268	46,960	3,117	8,982	4,361	3,045
6,919	—	1,889	984	4,199	3,281
453,264	366,769	446,371	285,303	446,594	253,568
89,664	123,731	27,491	12,842	41,854	95,365
<b>704,910</b>	<b>825,653</b>	<b>671,218</b>	<b>437,295</b>	<b>589,629</b>	<b>572,993</b>
<b>957,851</b>	<b>1,103,938</b>	<b>842,216</b>	<b>607,089</b>	<b>959,179</b>	<b>627,524</b>
15,054	21,489	6,387	3,507	13,249	11,804
23,750	16,025	18,479	8,805	19,667	10,616
—	—	—	—	—	—
2	—	—	—	—	—
19,252	12,167	25,160	14,541	16,586	13,483
6,287	10,273	2,632	6,038	9,611	20,641
20,058	8,576	3,033	9,959	1,715	16,882
—	—	140	—	—	—
<b>84,403</b>	<b>68,530</b>	<b>55,831</b>	<b>42,850</b>	<b>60,828</b>	<b>73,426</b>
—	—	—	8,318	—	—
—	2,635	1,064	—	1,965	—
28,124	22,325	28,636	7,599	25,063	12,859
180,124	165,374	227,838	104,295	269,000	153,133
—	—	21,860	—	—	—
<b>208,248</b>	<b>190,334</b>	<b>279,398</b>	<b>120,212</b>	<b>296,028</b>	<b>165,992</b>
<b>292,651</b>	<b>258,864</b>	<b>335,229</b>	<b>163,062</b>	<b>356,856</b>	<b>239,418</b>
364,366	375,800	257,790	216,284	247,724	180,892
—	—	—	—	—	—
—	—	—	—	—	—
44,447	—	—	32,815	—	7,202
1,639	—	—	1,478	750	—
67,518	191,869	89,799	—	43,294	47,126
—	—	—	20,258	8,587	2,829
31,196	15,880	—	16,427	—	24,667
7,127	1,615	—	566	—	—
37,729	8,471	—	272	—	8,005
5,007	—	—	—	—	—
10,236	11,395	—	—	46,446	—
—	—	31	391	—	3,117
13,053	4,239	15,092	22,510	—	938
—	—	—	—	—	37,911
15,013	2,706	77,418	—	—	13,136
8,583	70,140	545	14,278	23,589	16,491
59,286	162,959	66,312	118,748	231,933	45,792
<b>\$ 665,200</b>	<b>\$ 845,074</b>	<b>\$ 506,987</b>	<b>\$ 444,027</b>	<b>\$ 602,323</b>	<b>\$ 388,106</b>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<b>CLEVELAND STATE UNIVERSITY</b>	<b>YOUNGSTOWN STATE UNIVERSITY</b>	<b>WRIGHT STATE UNIVERSITY</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	8,115	21,603	42,696
Investments.....	47,325	8,571	6,742
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	1,207	6,611
Loans Receivable, Net.....	2,137	544	3,125
Receivable from Primary Government.....	61	2,959	5,796
Other Receivables.....	14,951	5,340	12,271
Inventories.....	235	1,907	785
Other Assets.....	1,162	1,032	11,464
<b>TOTAL CURRENT ASSETS.....</b>	<b>73,986</b>	<b>43,163</b>	<b>89,490</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	25,124
Investments.....	119,037	137,178	929
Investments.....	65,035	21,436	152,101
Loans Receivable, Net.....	9,736	2,355	16,817
Other Receivables.....	8,513	3,290	8,319
Other Assets.....	3,433	484	6,251
Capital Assets Being Depreciated, Net.....	184,911	142,360	224,013
Capital Assets Not Being Depreciated.....	80,350	27,873	5,278
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>471,015</b>	<b>334,976</b>	<b>438,832</b>
<b>TOTAL ASSETS.....</b>	<b>545,001</b>	<b>378,139</b>	<b>528,322</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	8,268	3,221	9,972
Accrued Liabilities.....	5,401	7,203	6,545
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	8,126	3,803	34,896
Refund and Other Liabilities.....	9,570	2,665	12,330
Bonds and Notes Payable.....	1,766	875	3,440
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>33,131</b>	<b>17,767</b>	<b>67,183</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	21,590	10,598	9,401
Bonds and Notes Payable.....	146,883	33,567	41,966
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>168,473</b>	<b>44,165</b>	<b>51,367</b>
<b>TOTAL LIABILITIES.....</b>	<b>201,604</b>	<b>61,932</b>	<b>118,550</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	234,581	139,805	207,244
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	9,929
Research.....	—	—	696
Endowments and Quasi-Endowments.....	24,084	4,910	—
Loans, Grants and Other College and University Purposes....	—	28,562	15,073
Expendable:			
Scholarships and Fellowships.....	3,221	199	15,189
Research.....	126	706	4,474
Instructional Department Uses.....	3,424	3,203	40,437
Student and Public Services.....	433	1,341	718
Academic Support.....	6,091	—	1,504
Debt Service.....	—	—	213
Capital Purposes.....	1,063	85	—
Endowments and Quasi-Endowments.....	210	7,386	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes....	14,229	73	25,460
Unrestricted (Deficits).....	55,935	129,937	88,835
<b>TOTAL NET ASSETS.....</b>	<b>\$ 343,397</b>	<b>\$ 316,207</b>	<b>\$ 409,772</b>



SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL UNIVERSITY OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
6,636	11,124	4,761	4,387	14,028	3,244
—	3,360	30,234	249	72,507	10,067
—	—	—	236	—	889
42	777	8,377	3	1	73
202	595	337	8	1,868	1,135
2,483	3,610	55,137	1,662	10,540	1,845
49	—	7,727	266	1,564	194
104	2	1,646	63	143	687
<b>9,516</b>	<b>19,468</b>	<b>108,219</b>	<b>6,874</b>	<b>100,651</b>	<b>18,134</b>
545	3,451	194	—	207	—
9,537	—	45,879	—	3,150	—
14,758	—	69,845	2,259	—	—
—	—	—	—	—	—
247	—	—	10	—	2,853
1,425	—	237	38	264	—
47,256	69,494	140,329	18,170	77,298	21,246
20,105	3,590	6,031	302	52,771	1,319
<b>93,873</b>	<b>76,535</b>	<b>262,515</b>	<b>20,779</b>	<b>133,690</b>	<b>25,418</b>
<b>103,389</b>	<b>96,003</b>	<b>370,734</b>	<b>27,653</b>	<b>234,341</b>	<b>43,552</b>
715	2,459	20,404	636	6,214	772
2,040	3,450	29,636	425	724	528
—	—	—	—	—	—
469	3,202	2,500	234	10,647	1
1,045	663	3,819	643	3,502	834
345	323	—	—	1,450	182
—	—	—	—	—	—
<b>4,614</b>	<b>10,097</b>	<b>56,359</b>	<b>1,938</b>	<b>22,537</b>	<b>2,317</b>
—	—	—	—	—	—
—	—	—	—	—	—
1,577	246	7,605	821	3,137	809
1,925	22,438	50,000	—	21,250	—
—	—	—	—	—	—
<b>3,502</b>	<b>22,684</b>	<b>57,605</b>	<b>821</b>	<b>24,387</b>	<b>809</b>
<b>8,116</b>	<b>32,781</b>	<b>113,964</b>	<b>2,759</b>	<b>46,924</b>	<b>3,126</b>
65,091	50,324	139,382	17,817	110,615	22,519
—	—	—	—	—	—
—	—	—	—	—	—
1,845	1,151	—	—	—	—
—	—	—	—	—	—
—	2,152	12,538	853	2,828	5,989
3,606	123	909	—	—	—
1,017	692	4,342	370	935	431
—	—	1,884	—	—	—
—	—	—	4	—	5
—	—	—	50	248	659
—	248	9,136	1	100	—
589	—	—	—	—	—
—	—	2,761	767	3,805	4,978
1,345	685	—	—	—	—
1,610	—	—	—	—	—
2,539	1,250	6,395	—	—	84
17,631	6,597	79,423	5,032	68,886	5,761
<b>\$ 95,273</b>	<b>\$ 63,222</b>	<b>\$ 256,770</b>	<b>\$ 24,894</b>	<b>\$ 187,417</b>	<b>\$ 40,426</b>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2005**  
(dollars in thousands)  
(continued)

	<b>EDISON STATE COMMUNITY COLLEGE</b>	<b>SOUTHERN STATE COMMUNITY COLLEGE</b>	<b>WASHINGTON STATE COMMUNITY COLLEGE</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	1,003	3,299	2,675
Investments.....	606	—	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	59	—	429
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	107	35	412
Other Receivables.....	4,179	2,919	1,441
Inventories.....	212	177	93
Other Assets.....	82	17	18
<b>TOTAL CURRENT ASSETS.....</b>	<b>6,248</b>	<b>6,447</b>	<b>5,068</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	177	—	—
Investments.....	1,823	791	113
Investments.....	1,096	—	—
Loans Receivable, Net.....	9	—	—
Other Receivables.....	111	—	—
Other Assets.....	—	14	—
Capital Assets Being Depreciated, Net.....	9,967	17,439	16,836
Capital Assets Not Being Depreciated.....	929	815	980
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>14,112</b>	<b>19,059</b>	<b>17,929</b>
<b>TOTAL ASSETS.....</b>	<b>20,360</b>	<b>25,506</b>	<b>22,997</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	448	6	80
Accrued Liabilities.....	375	429	972
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	2,788	454	1,000
Refund and Other Liabilities.....	310	126	55
Bonds and Notes Payable.....	77	124	—
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>3,998</b>	<b>1,139</b>	<b>2,107</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	45
Refund and Other Liabilities.....	264	556	311
Bonds and Notes Payable.....	456	2,600	—
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>720</b>	<b>3,156</b>	<b>356</b>
<b>TOTAL LIABILITIES.....</b>	<b>4,718</b>	<b>4,295</b>	<b>2,463</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	10,364	15,222	17,816
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	100
Research.....	—	—	—
Endowments and Quasi-Endowments.....	71	2,179	—
Loans, Grants and Other College and University Purposes....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	48	194
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	489
Endowments and Quasi-Endowments.....	650	—	—
Current Operations.....	1,035	—	—
Loans, Grants and Other College and University Purposes....	—	682	—
Unrestricted (Deficits).....	3,522	3,080	1,935
<b>TOTAL NET ASSETS.....</b>	<b>\$ 15,642</b>	<b>\$ 21,211</b>	<b>\$ 20,534</b>

CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ 30,614
4,786	1,629	11,320	511,956
—	2,454	8,759	919,406
—	—	—	9,004
2,495	—	713	37,610
—	—	140	27,637
112	220	1,666	27,043
4,407	1,197	17,517	251,469
22	218	939	27,328
566	4	2,381	46,110
<b>12,388</b>	<b>5,722</b>	<b>43,435</b>	<b>1,888,177</b>
7	574	—	57,144
—	1,848	—	585,135
—	—	—	1,036,581
144	—	792	97,964
—	—	—	95,076
479	—	—	29,897
94,649	14,145	46,704	3,424,397
2,097	1,365	23,319	629,929
<b>97,376</b>	<b>17,932</b>	<b>70,815</b>	<b>5,956,123</b>
<b>109,764</b>	<b>23,654</b>	<b>114,250</b>	<b>7,844,300</b>
1,525	184	2,395	141,526
1,819	5	3,755	161,012
—	—	—	9,004
—	—	—	7
3,355	492	14,283	188,272
3,849	555	1,261	96,112
141	—	170	68,934
—	—	—	140
<b>10,689</b>	<b>1,236</b>	<b>21,864</b>	<b>665,007</b>
—	—	733	9,051
—	—	—	5,709
—	274	1,373	183,859
48,801	—	579	1,470,229
—	—	—	21,860
<b>48,801</b>	<b>274</b>	<b>2,685</b>	<b>1,690,708</b>
<b>59,490</b>	<b>1,510</b>	<b>24,549</b>	<b>2,355,715</b>
46,366	15,428	69,274	2,864,273
—	—	—	19
—	—	—	13,079
—	533	—	98,022
—	—	—	4,563
—	—	789	495,999
—	—	—	79,947
—	47	373	115,228
—	—	—	16,498
—	21	213	101,784
50	—	—	8,506
—	—	—	85,157
—	—	—	4,341
—	261	—	70,041
—	—	—	48,187
—	5	—	110,923
168	101	107	184,714
3,690	5,748	18,945	1,187,304
<b>\$ 50,274</b>	<b>\$ 22,144</b>	<b>\$ 89,701</b>	<b>\$ 5,488,585</b>

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION	SCHOOLNET COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (for the year ended 12/31/04)
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ 31,161	\$ —
Community and Economic Development.....	18,738	—	5,921
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Enterprises.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	—
Depreciation.....	1,340	591	5
Other.....	—	—	—
<b>TOTAL EXPENSES.....</b>	<b>20,078</b>	<b>31,752</b>	<b>5,926</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	136	1,412	1,322
Operating Grants, Contributions and Restricted Investment Income.....	216	538	13,989
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
<b>TOTAL PROGRAM REVENUES.....</b>	<b>352</b>	<b>1,950</b>	<b>15,311</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(19,726)</b>	<b>(29,802)</b>	<b>9,385</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	—	216
State Assistance.....	20,026	25,890	—
Other.....	—	—	2
<b>TOTAL GENERAL REVENUES.....</b>	<b>20,026</b>	<b>25,890</b>	<b>218</b>
<b>CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>SPECIAL ITEMS.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>300</b>	<b>(3,912)</b>	<b>9,603</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>56,529</b>	<b>8,943</b>	<b>8,521</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 56,829</b>	<b>\$ 5,031</b>	<b>\$ 18,124</b>

<b>OHIO UNIVERSITY</b>	<b>MIAMI UNIVERSITY</b>	<b>UNIVERSITY OF AKRON</b>	<b>BOWLING GREEN STATE UNIVERSITY</b>	<b>KENT STATE UNIVERSITY</b>	<b>UNIVERSITY OF TOLEDO</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
185,507	151,150	110,164	109,154	159,251	120,867
33,616	9,489	18,595	7,022	14,182	17,756
19,939	2,007	13,818	8,367	14,683	4,955
48,546	33,433	27,584	39,186	33,992	30,926
21,034	22,537	10,865	23,524	24,709	18,493
43,369	37,454	43,840	26,761	38,525	25,411
36,823	27,796	21,668	19,646	29,663	16,704
13,279	10,754	18,683	15,446	15,638	13,258
61,874	91,682	40,781	65,253	72,288	48,911
—	—	—	—	—	—
5,531	3,373	11,458	4,541	13,010	5,759
30,355	27,763	23,612	18,109	25,570	18,138
7,141	4,137	1,452	1,256	544	6,030
<b>507,014</b>	<b>421,575</b>	<b>342,520</b>	<b>338,265</b>	<b>442,055</b>	<b>327,208</b>
319,316	295,441	190,914	233,475	339,859	190,224
30,578	69,992	75,159	28,270	—	60,499
3,535	1,130	827	6,402	—	962
<b>353,429</b>	<b>366,563</b>	<b>266,900</b>	<b>268,147</b>	<b>339,859</b>	<b>251,685</b>
<b>(153,585)</b>	<b>(55,012)</b>	<b>(75,620)</b>	<b>(70,118)</b>	<b>(102,196)</b>	<b>(75,523)</b>
19,065	28,932	—	14,909	24,496	1,692
152,028	89,350	102,546	86,413	133,107	100,650
—	150	122	2,436	15,197	—
<b>171,093</b>	<b>118,432</b>	<b>102,668</b>	<b>103,758</b>	<b>172,800</b>	<b>102,342</b>
<b>3,377</b>	<b>11,330</b>	<b>3,919</b>	<b>—</b>	<b>—</b>	<b>842</b>
—	—	—	—	—	—
<b>20,885</b>	<b>74,750</b>	<b>30,967</b>	<b>33,640</b>	<b>70,604</b>	<b>27,661</b>
644,315	770,324	476,020	410,387	531,719	360,445
<b>\$ 665,200</b>	<b>\$ 845,074</b>	<b>\$ 506,987</b>	<b>\$ 444,027</b>	<b>\$ 602,323</b>	<b>\$ 388,106</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	84,653	61,914	101,791
Separately Budgeted Research.....	14,416	1,543	27,076
Public Service.....	15,773	9,716	8,096
Academic Support.....	21,499	10,326	66,468
Student Services.....	17,883	8,748	13,443
Institutional Support.....	24,792	23,869	25,735
Operation and Maintenance of Plant.....	15,974	9,652	14,231
Scholarships and Fellowships.....	11,143	9,392	12,343
Auxiliary Services.....	14,831	21,087	22,632
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	404	1,415	1,058
Depreciation.....	15,052	8,880	14,125
Other.....	—	1,038	75
<b>TOTAL EXPENSES.....</b>	<b>236,420</b>	<b>167,580</b>	<b>307,073</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	117,218	79,251	130,231
Operating Grants, Contributions and Restricted Investment Income.....	36,323	13,665	122,235
Capital Grants, Contributions and Restricted Investment Income.....	337	17,847	1,154
<b>TOTAL PROGRAM REVENUES.....</b>	<b>153,878</b>	<b>110,763</b>	<b>253,620</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(82,542)</b>	<b>(56,817)</b>	<b>(53,453)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	1,645	8,151	4,388
State Assistance.....	81,676	52,720	97,777
Other.....	14,964	2,477	80
<b>TOTAL GENERAL REVENUES.....</b>	<b>98,285</b>	<b>63,348</b>	<b>102,245</b>
<b>CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>1,971</b>	<b>—</b>
<b>SPECIAL ITEMS.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>15,743</b>	<b>8,502</b>	<b>48,792</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>327,654</b>	<b>307,705</b>	<b>360,980</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 343,397</b>	<b>\$ 316,207</b>	<b>\$ 409,772</b>

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL UNIVERSITY OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
14,733	9,223	51,133	5,696	53,891	5,829
—	731	16,022	—	—	—
3,503	8,769	1,110	2,130	4,870	2,765
2,530	4,576	7,329	491	3,984	794
3,597	3,431	1,022	921	9,519	2,012
5,518	6,223	8,421	3,095	17,591	3,620
3,722	4,404	10,351	1,486	9,696	2,628
4,585	2,767	1,319	160	12,105	1,442
4,064	7,317	54,845	1,013	9,277	2,971
—	—	180,746	—	—	—
168	1,211	748	31	1,058	2
1,955	3,203	18,606	1,009	3,566	1,319
33	310	1,256	—	720	14
<b>44,408</b>	<b>52,165</b>	<b>352,908</b>	<b>16,032</b>	<b>126,277</b>	<b>23,396</b>
15,816	12,411	288,117	5,944	82,895	9,066
14,224	20,231	26,276	3,826	2,485	6,387
—	—	7,001	5	135	3,336
<b>30,040</b>	<b>32,642</b>	<b>321,394</b>	<b>9,775</b>	<b>85,515</b>	<b>18,789</b>
<b>(14,368)</b>	<b>(19,523)</b>	<b>(31,514)</b>	<b>(6,257)</b>	<b>(40,762)</b>	<b>(4,607)</b>
1,750	160	6,174	150	1,438	185
15,624	21,015	35,224	6,545	67,069	7,727
—	—	—	—	—	1,302
<b>17,374</b>	<b>21,175</b>	<b>41,398</b>	<b>6,695</b>	<b>68,507</b>	<b>9,214</b>
—	—	—	—	—	<b>97</b>
—	—	<b>(1,357)</b>	—	—	—
<b>3,006</b>	<b>1,652</b>	<b>8,527</b>	<b>438</b>	<b>27,745</b>	<b>4,704</b>
92,267	61,570	248,243	24,456	159,672	35,722
<b>\$ 95,273</b>	<b>\$ 63,222</b>	<b>\$ 256,770</b>	<b>\$ 24,894</b>	<b>\$ 187,417</b>	<b>\$ 40,426</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

(continued)

	EDISON STATE COMMUNITY COLLEGE	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	6,327	5,367	5,340
Separately Budgeted Research.....	—	—	—
Public Service.....	952	1,124	—
Academic Support.....	310	1,502	1,604
Student Services.....	1,668	1,400	1,465
Institutional Support.....	3,720	1,387	3,478
Operation and Maintenance of Plant.....	1,342	879	1,147
Scholarships and Fellowships.....	558	2,747	452
Auxiliary Services.....	885	2,871	1,349
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	32	—	—
Depreciation.....	873	765	722
Other.....	—	193	—
<b>TOTAL EXPENSES.....</b>	<b>16,667</b>	<b>18,235</b>	<b>15,557</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	9,219	8,836	5,360
Operating Grants, Contributions and Restricted Investment Income.....	367	5,581	5,001
Capital Grants, Contributions and Restricted Investment Income.....	408	—	—
<b>TOTAL PROGRAM REVENUES.....</b>	<b>9,994</b>	<b>14,417</b>	<b>10,361</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(6,673)</b>	<b>(3,818)</b>	<b>(5,196)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	82	9
State Assistance.....	6,351	6,666	5,334
Other.....	—	—	—
<b>TOTAL GENERAL REVENUES.....</b>	<b>6,351</b>	<b>6,748</b>	<b>5,343</b>
<b>CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>158</b>	<b>—</b>
<b>SPECIAL ITEMS.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(322)</b>	<b>3,088</b>	<b>147</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>15,964</b>	<b>18,123</b>	<b>20,387</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 15,642</b>	<b>\$ 21,211</b>	<b>\$ 20,534</b>



<b>CINCINNATI STATE COMMUNITY COLLEGE</b>	<b>NORTHWEST STATE COMMUNITY COLLEGE</b>	<b>OWENS STATE COMMUNITY COLLEGE</b>	<b>TOTAL NONMAJOR COMPONENT UNITS</b>
\$ —	\$ —	\$ —	\$ 31,161
—	—	—	24,659
24,137	7,307	38,247	1,311,681
—	—	186	160,634
1,679	1,357	2,180	127,793
3,581	1,200	3,806	343,667
5,343	1,048	6,301	198,963
11,511	4,108	11,822	370,250
5,059	1,158	10,134	244,163
852	1,061	3,028	151,012
1,973	1,984	6,621	534,509
—	—	—	180,746
2,405	8	—	52,212
4,758	908	3,497	224,721
—	93	24	24,316
<b>61,298</b>	<b>20,232</b>	<b>85,846</b>	<b>3,980,487</b>
34,567	8,129	28,079	2,407,238
—	3,933	23,216	562,991
99	1,061	—	44,239
<b>34,666</b>	<b>13,123</b>	<b>51,295</b>	<b>3,014,468</b>
<b>(26,632)</b>	<b>(7,109)</b>	<b>(34,551)</b>	<b>(966,019)</b>
195	172	604	114,413
24,675	8,192	41,646	1,188,251
—	—	362	37,092
<b>24,870</b>	<b>8,364</b>	<b>42,612</b>	<b>1,339,756</b>
—	—	—	<b>21,694</b>
—	—	—	<b>(1,357)</b>
<b>(1,762)</b>	<b>1,255</b>	<b>8,061</b>	<b>394,074</b>
52,036	20,889	81,640	5,094,511
<b>\$ 50,274</b>	<b>\$ 22,144</b>	<b>\$ 89,701</b>	<b>\$ 5,488,585</b>

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**SCHOOL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2005**  
(dollars in thousands)

**SPECIAL REVENUE FUND**

	<u>ADMINISTRATION</u>	<u>SCHOOL BUILDING ASSISTANCE PROGRAM</u>	<u>PUBLIC SCHOOL BUILDING PROGRAM</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 1,869	\$ 111,717	\$ 97,585
Collateral on Lent Securities .....	1,109	66,288	57,903
Intergovernmental Receivable .....	—	—	—
Loans Receivable, Net .....	—	—	316
Other Assets .....	16	—	—
<b>TOTAL ASSETS .....</b>	<b>\$ 2,994</b>	<b>\$ 178,005</b>	<b>\$ 155,804</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 139	\$ 6,224	\$ 1,019
Accrued Liabilities .....	210	—	—
Obligations Under Securities Lending .....	1,109	66,288	57,903
Intergovernmental Payable .....	—	2,325,412	14,449
Deferred Revenue .....	—	—	—
Refund and Other Liabilities .....	—	—	153
<b>TOTAL LIABILITIES .....</b>	<b>1,458</b>	<b>2,397,924</b>	<b>73,524</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	198	—	11,489
Noncurrent Portion of Loans Receivable .....	—	—	316
Loan Commitments .....	—	—	1,240
Other:			
Prepays .....	16	—	—
Primary, Secondary and Other Education .....	—	—	10,822
Compensated Absences .....	53	—	—
Unreserved/Undesignated (Deficits) .....	1,269	(2,219,919)	58,413
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>1,536</b>	<b>(2,219,919)</b>	<b>82,280</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 2,994</b>	<b>\$ 178,005</b>	<b>\$ 155,804</b>

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 173,106	\$ 166	\$ 384,443
102,714	98	228,112
—	621	621
—	—	316
—	—	16
<u>\$ 275,820</u>	<u>\$ 885</u>	<u>\$ 613,508</u>

\$ 1,471	\$ —	\$ 8,853
—	—	210
102,714	98	228,112
779	787	2,341,427
—	621	621
—	—	153
<u>104,964</u>	<u>1,506</u>	<u>2,579,376</u>

11,900	9	23,596
—	—	316
—	—	1,240
—	—	16
—	—	10,822
—	—	53
<u>158,956</u>	<u>(630)</u>	<u>(2,001,911)</u>
<u>170,856</u>	<u>(621)</u>	<u>(1,965,868)</u>
<u>\$ 275,820</u>	<u>\$ 885</u>	<u>\$ 613,508</u>

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**STATE OF OHIO**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SCHOOL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT**  
**JUNE 30, 2005**  
*(dollars in thousands)*

	<u>SCHOOL FACILITIES COMMISSION</u>
<b>Total Fund Balances</b> .....	<b>\$ (1,965,868)</b>
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
<i>Machinery and Equipment, net of \$102 accumulated depreciation</i> .....	<u>49</u>
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
<i>Intergovernmental Receivables</i> .....	<u>621</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
<i>Refund and Other Liabilities-Compensated Absences</i> .....	<u>(554)</u>
<b>Total Net Assets</b> .....	<b><u>\$ (1,965,752)</u></b>

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**SCHOOL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
*(dollars in thousands)*

	<b>SPECIAL REVENUE FUND</b>		
	<b>ADMINISTRATION</b>	<b>SCHOOL BUILDING ASSISTANCE PROGRAM</b>	<b>PUBLIC SCHOOL BUILDING PROGRAM</b>
<b>REVENUES:</b>			
State Assistance . . . . .	\$ —	\$ 399,349	\$ —
Sales, Services and Charges . . . . .	10	—	—
Federal Government . . . . .	—	—	—
Investment Income . . . . .	96	3,142	2,650
Other . . . . .	6	552	335
<b>TOTAL REVENUES . . . . .</b>	<b>112</b>	<b>403,043</b>	<b>2,985</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education . . . . .	6,240	856,527	9,666
<b>TOTAL EXPENDITURES . . . . .</b>	<b>6,240</b>	<b>856,527</b>	<b>9,666</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER (UNDER) EXPENDITURES . . . . .</b>	<b>(6,128)</b>	<b>(453,484)</b>	<b>(6,681)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-in . . . . .	5,213	—	—
Transfers-out . . . . .	—	(3,146)	(2,067)
<b>TOTAL OTHER FINANCING SOURCES (USES) . . . . .</b>	<b>5,213</b>	<b>(3,146)</b>	<b>(2,067)</b>
<b>NET CHANGES IN FUND BALANCES . . . . .</b>	<b>(915)</b>	<b>(456,630)</b>	<b>(8,748)</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated) . . . . .</b>	<b>2,451</b>	<b>(1,763,289)</b>	<b>91,028</b>
<b>FUND BALANCES (DEFICITS), JUNE 30 . . . . .</b>	<b>\$ 1,536</b>	<b>\$ (2,219,919)</b>	<b>\$ 82,280</b>

---

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 126,389	\$ —	\$ 525,738
—	—	10
—	3,710	3,710
1,433	—	7,321
32	231	1,156
<u>127,854</u>	<u>3,941</u>	<u>537,935</u>
<u>2,250</u>	<u>788</u>	<u>875,471</u>
<u>2,250</u>	<u>788</u>	<u>875,471</u>
<u>125,604</u>	<u>3,153</u>	<u>(337,536)</u>
—	—	5,213
—	—	(5,213)
—	—	—
<u>125,604</u>	<u>3,153</u>	<u>(337,536)</u>
<u>45,252</u>	<u>(3,774)</u>	<u>(1,628,332)</u>
<u>\$ 170,856</u>	<u>\$ (621)</u>	<u>\$ (1,965,868)</u>

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# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

### SCHOOL FACILITIES COMMISSION

### DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

SCHOOL  
FACILITIES  
COMMISSION

**Net Change in Fund Balances.....** **\$ (337,536)**

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense..... (24)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (4,880)

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds. (31)

**Change in Net Assets .....** **\$ (342,471)**

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**CULTURAL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2005**  
(dollars in thousands)

**SPECIAL REVENUE FUND**

	<u>ADMINISTRATION</u>	<u>CULTURAL &amp; SPORTS FACILITIES BUILDING IMPROVEMENTS</u>	<u>CAPITAL DONATIONS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 439	\$ 9,380	\$ 136
Collateral on Lent Securities .....	260	5,566	81
Other Assets .....	1	—	—
<b>TOTAL ASSETS .....</b>	<b>\$ 700</b>	<b>\$ 14,946</b>	<b>\$ 217</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 23	\$ 12,084	\$ —
Accrued Liabilities .....	31	—	—
Obligations Under Securities Lending .....	260	5,566	81
<b>TOTAL LIABILITIES .....</b>	<b>314</b>	<b>17,650</b>	<b>81</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	11	6,285	9
Other:			
Prepays .....	1	—	—
Compensated Absences .....	4	—	—
Unreserved/Undesignated (Deficits) .....	370	(8,989)	127
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>386</b>	<b>(2,704)</b>	<b>136</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ...</b>	<b>\$ 700</b>	<b>\$ 14,946</b>	<b>\$ 217</b>

**TOTAL**

\$ 9,955  
5,907  
1  
**\$ 15,863**

\$ 12,107  
31  
5,907  
18,045

6,305  
1  
4  
(8,492)  
(2,182)  
**\$ 15,863**

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**STATE OF OHIO**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**CULTURAL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT**  
**JUNE 30, 2005**  
*(dollars in thousands)*

	<u>CULTURAL FACILITIES COMMISSION</u>
<b>Total Fund Balances</b> .....	<b>\$ (2,182)</b>
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
Land.....	11,858
Buildings, net of \$13,059 accumulated depreciation.....	47,213
	<u>59,071</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Refund and Other Liabilities-Compensated Absences.....	(60)
<b>Total Net Assets</b> .....	<b>\$ 56,829</b>

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CULTURAL FACILITIES COMMISSION DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	<b>SPECIAL REVENUE FUND</b>		
	<b>ADMINISTRATION</b>	<b>CULTURAL &amp; SPORTS FACILITIES BUILDING IMPROVEMENTS</b>	<b>CAPITAL DONATIONS</b>
<b>REVENUES:</b>			
State Assistance . . . . .	\$ —	\$ 20,026	\$ —
Sales, Services and Charges . . . . .	22	—	—
Investment Income . . . . .	15	199	2
Other . . . . .	—	80	34
<b>TOTAL REVENUES . . . . .</b>	<b>37</b>	<b>20,305</b>	<b>36</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Community and Economic Development . . . . .	633	18,111	—
<b>TOTAL EXPENDITURES . . . . .</b>	<b>633</b>	<b>18,111</b>	<b>—</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES . . . . .</b>	<b>(596)</b>	<b>2,194</b>	<b>36</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-in . . . . .	210	—	—
Transfers-out . . . . .	—	(210)	—
<b>TOTAL OTHER FINANCING SOURCES (USES) . . . . .</b>	<b>210</b>	<b>(210)</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES . . . . .</b>	<b>(386)</b>	<b>1,984</b>	<b>36</b>
<b>FUND BALANCES, (DEFICITS), JULY 1 . . . . .</b>	<b>772</b>	<b>(4,688)</b>	<b>100</b>
<b>FUND BALANCES (DEFICITS), JUNE 30 . . . . .</b>	<b>\$ 386</b>	<b>\$ (2,704)</b>	<b>\$ 136</b>

<u>TOTAL</u>	
\$	20,026
	22
	216
	114
	<u>20,378</u>
	<u>18,744</u>
	<u>18,744</u>
	<u>1,634</u>
	210
	<u>(210)</u>
	<u>—</u>
	<u>1,634</u>
	<u>(3,816)</u>
\$	<u><u>(2,182)</u></u>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES CULTURAL FACILITIES COMMISSION DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION
<b>Net Change in Fund Balances.....</b>	<b>\$ 1,634</b>
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense.....	(1,340)
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	6
<b>Change in Net Assets .....</b>	<b>\$ 300</b>



**STATE OF OHIO**  
**BALANCE SHEET**  
**SCHOOLNET COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2005**  
(dollars in thousands)

**SCHOOLNET  
COMMISSION**

**ASSETS:**

Cash Equity with Treasurer . . . . .	\$	5,220
Collateral on Lent Securities. . . . .		3,097
Receivable from Primary Government . . . . .		720
Other Receivables . . . . .		20
Other Assets . . . . .		1
<b>TOTAL ASSETS . . . . .</b>	<b>\$</b>	<b>9,058</b>

**LIABILITIES AND FUND BALANCE:**

**LIABILITIES:**

Accounts Payable . . . . .	\$	583
Accrued Liabilities . . . . .		300
Obligations Under Securities Lending . . . . .		3,097
<b>TOTAL LIABILITIES . . . . .</b>		<b>3,980</b>

**FUND BALANCE:**

Reserved for:		
Federal Programs . . . . .		19
Other:		
Prepays . . . . .		1
Compensated Absences . . . . .		4
Unreserved/Undesignated . . . . .		5,054
<b>TOTAL FUND BALANCE . . . . .</b>		<b>5,078</b>
<b>TOTAL LIABILITIES AND FUND BALANCE . . . .</b>	<b>\$</b>	<b>9,058</b>

**STATE OF OHIO**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SCHOOLNET COMMISSION**  
**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT**  
**JUNE 30, 2005**  
*(dollars in thousands)*

	<u>SCHOOLNET COMMISSION</u>
<b>Total Fund Balances</b> .....	<b>\$ 5,078</b>
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
<i>Machinery and Equipment, net of \$2,703 accumulated depreciation</i> .....	<u>476</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
<i>Refund and Other Liabilities-Compensated Absences</i> .....	<u>(523)</u>
<b>Total Net Assets</b> .....	<b>\$ 5,031</b>

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**SCHOOLNET COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**  
*(dollars in thousands)*

	<u>SCHOOLNET COMMISSION</u>
<b>REVENUES:</b>	
State Assistance . . . . .	\$ 25,890
Federal Government . . . . .	432
Investment Income . . . . .	107
Other . . . . .	<u>1,411</u>
<b>TOTAL REVENUES . . . . .</b>	<b><u>27,840</u></b>
<b>EXPENDITURES:</b>	
<b>CURRENT OPERATING:</b>	
Primary, Secondary and Other Education . . . . .	<u>31,316</u>
<b>TOTAL EXPENDITURES . . . . .</b>	<b><u>31,316</u></b>
<b>NET CHANGE IN FUND BALANCE . . . . .</b>	<b>(3,476)</b>
<b>FUND BALANCE, JULY 1 . . . . .</b>	<b><u>8,554</u></b>
<b>FUND BALANCE, JUNE 30. . . . .</b>	<b><u><u>\$ 5,078</u></u></b>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

### SCHOOLNET COMMISSION

### DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(dollars in thousands)

	<u>SCHOOLNET COMMISSION</u>
<b>Net Change in Fund Balance.....</b>	<b>\$ (3,476)</b>
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlay Expenditures.....	130
Depreciation Expense.....	<u>(591)</u>
Excess of Capital Outlay Over Depreciation Expense.....	<u>(461)</u>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	25
<b>Change in Net Assets.....</b>	<b>\$ <u>(3,912)</u></b>

# **STATISTICAL SECTION**



## ***STATISTICAL SECTION***

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This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	<u>Pages</u>
<b>Financial Trends</b> .....	257-263
These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.	
<b>Revenue Capacity</b> .....	264-271
These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.	
<b>Debt Capacity</b> .....	272-276
These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b> .....	277-278
These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.	
<b>Operating Information</b> .....	279-282
These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.	

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. In fiscal year 2002, the State implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; consequently, schedules presenting government-wide information commence with that year.

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# STATE OF OHIO

## NET ASSETS BY COMPONENT FOR THE LAST FOUR FISCAL YEARS

(accrual basis of accounting)

(dollars in thousands)

	2005	2004	2003	2002
<b>GOVERNMENTAL ACTIVITIES:</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ 20,454,447	\$ 19,941,259	\$ 19,261,553	\$ 18,653,976
Restricted for:				
Constitutional Provisions:				
Primary, Secondary and Other Education.....	8,200	15,862	5,128	5,759
Transportation and Highway Safety.....	744,913	698,428	638,615	819,829
State and Local Highway Construction.....	129,299	126,517	124,022	124,957
Externally Imposed Constraints:				
Federal Programs.....	38,656	32,858	75,967	48,997
Coal Research and Development Program.....	—	—	8,488	17,340
Clean Ohio Program.....	41,673	80,530	79,457	51,358
Community and Economic Development and Capital Purposes.....	935,842	924,533	929,213	810,275
Enterprise Bond Program.....	10,000	10,000	10,000	—
Total Restricted Net Assets.....	1,908,583	1,888,728	1,870,890	1,878,515
Unrestricted (Deficits).....	(3,893,569)	(4,331,377)	(4,277,649)	(2,979,838)
<b>TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS.....</b>	<b>\$ 18,469,461</b>	<b>\$ 17,498,610</b>	<b>\$ 16,854,794</b>	<b>\$ 17,552,653</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ (1,839)	\$ 5,873	\$ 19,827	\$ 24,197
Restricted for:				
Externally Imposed Constraints:				
Workers' Compensation.....	734,845	866,307	545,756	1,880,808
Deferred Lottery Prizes.....	102,614	83,603	169,822	97,040
Unemployment Compensation.....	663,921	809,037	1,286,679	1,912,422
Ohio Building Authority.....	26,996	28,457	24,600	28,003
Auditor of State's Office.....	—	—	—	406
Total Restricted Net Assets.....	1,528,376	1,787,404	2,026,857	3,918,679
Unrestricted (Deficits).....	(166,388)	(223,611)	(264,186)	(12,846)
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS.....</b>	<b>\$ 1,360,149</b>	<b>\$ 1,569,666</b>	<b>\$ 1,782,498</b>	<b>\$ 3,930,030</b>
<b>PRIMARY GOVERNMENT:</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ 20,452,608	\$ 19,947,132	\$ 19,281,380	\$ 18,678,173
Restricted.....	3,436,959	3,676,132	3,897,747	5,797,194
Unrestricted (Deficits).....	(4,059,957)	(4,554,988)	(4,541,835)	(2,992,684)
<b>TOTAL PRIMARY GOVERNMENT NET ASSETS.....</b>	<b>\$ 19,829,610</b>	<b>\$ 19,068,276</b>	<b>\$ 18,637,292</b>	<b>\$ 21,482,683</b>

### Note:

When practical, net assets reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Assets" table may not have been determined for presentation on that table.

# STATE OF OHIO

## CHANGES IN NET ASSETS FOR THE LAST FOUR FISCAL YEARS

(accrual basis of accounting)

(dollars in thousands)

	2005	2004	2003	2002
<b>EXPENSES:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Primary, Secondary and Other Education.....	\$ 10,500,951	\$ 10,234,524	\$ 8,498,696	\$ 8,141,634
Higher Education Support.....	2,477,856	2,494,828	2,515,379	2,710,111
Public Assistance and Medicaid.....	14,245,026	13,557,787	12,683,617	11,953,033
Health and Human Services.....	3,336,010	2,950,880	2,930,071	2,847,339
Justice and Public Protection.....	2,973,118	2,809,295	2,435,774	2,451,328
Environmental Protection and Natural Resources.....	397,924	397,884	403,445	371,103
Transportation.....	1,900,507	1,433,439	1,532,040	1,507,932
General Government.....	670,317	607,376	486,013	762,725
Community and Economic Development.....	3,444,746	3,493,357	827,530	831,994
Intergovernmental.....	—	—	3,587,357	3,552,148
Interest on Long-Term Debt (excludes interest charged as program expense).....	175,700	189,583	195,559	203,811
<b>TOTAL GOVERNMENTAL ACTIVITIES EXPENSES.....</b>	<b>40,122,155</b>	<b>38,168,953</b>	<b>36,095,481</b>	<b>35,333,158</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Workers' Compensation.....	3,263,118	3,072,477	4,088,796	4,565,493
Lottery Commission.....	1,581,100	1,575,279	1,523,764	1,467,203
Unemployment Compensation.....	1,194,040	1,639,014	1,838,949	1,660,148
Ohio Building Authority.....	27,327	27,524	30,824	33,724
Tuition Trust Authority.....	30,214	118,834	388,469	284,960
Liquor Control.....	401,187	374,507	354,547	339,294
Underground Parking Garage.....	2,692	2,199	2,515	2,336
Office of Auditor of State.....	73,501	75,758	84,087	78,302
<b>TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES.....</b>	<b>6,573,179</b>	<b>6,885,592</b>	<b>8,311,951</b>	<b>8,431,460</b>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES.....</b>	<b>\$ 46,695,334</b>	<b>\$ 45,054,545</b>	<b>\$ 44,407,432</b>	<b>\$ 43,764,618</b>
<b>PROGRAM REVENUES:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Charges for Services:				
Public Assistance and Medicaid.....	\$ 613,227	\$ 556,006	\$ 526,679	\$ 509,184
Justice and Public Protection.....	850,032	832,787	694,517	702,145
General Government.....	405,805	413,028	330,249	444,342
Community and Economic Development.....	313,724	295,078	260,705	291,876
Other Activities.....	372,243	432,251	364,752	335,025
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	13,774,602	12,979,579	11,772,552	11,230,106
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,088,146	890,444	930,497	942,200
<b>TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES.....</b>	<b>17,417,779</b>	<b>16,399,173</b>	<b>14,879,951</b>	<b>14,454,878</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Charges for Services:				
Workers' Compensation.....	2,138,490	2,138,634	2,184,192	2,376,252
Lottery Commission.....	2,164,857	2,166,512	2,083,108	1,988,124
Unemployment Compensation.....	49,942	61,033	50,634	694,090
Liquor Control.....	556,213	520,161	493,195	470,515
Other Activities.....	77,414	110,820	178,340	237,346
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	2,107,953	2,455,783	1,895,246	(59,232)
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	—	332	956	—
<b>TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES.....</b>	<b>7,094,869</b>	<b>7,453,275</b>	<b>6,885,671</b>	<b>5,707,095</b>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES.....</b>	<b>\$ 24,512,648</b>	<b>\$ 23,852,448</b>	<b>\$ 21,765,622</b>	<b>\$ 20,161,973</b>

	2005	2004	2003	2002
<b>NET (EXPENSE) REVENUE:</b>				
Governmental Activities.....	\$ (22,704,376)	\$ (21,769,780)	\$ (21,215,530)	\$ (20,878,280)
Business-Type Activities.....	521,690	567,683	(1,426,280)	(2,724,365)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE).....</b>	<b>\$ (22,182,686)</b>	<b>\$ (21,202,097)</b>	<b>\$ (22,641,810)</b>	<b>\$ (23,602,645)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>TAXES:</b>				
Income.....	\$ 9,450,119	\$ 8,526,572	\$ 8,231,233	\$ 7,961,718
Sales.....	8,135,552	7,915,493	6,470,645	6,413,916
Corporate and Public Utility.....	1,838,882	1,755,736	1,682,945	1,640,433
Cigarette.....	577,699	557,543	599,943	—
Other.....	651,646	641,273	649,027	895,414
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,753,390	1,631,631	1,462,608	1,451,767
<b>TOTAL TAXES.....</b>	<b>22,407,288</b>	<b>21,028,248</b>	<b>19,096,401</b>	<b>18,363,248</b>
Tobacco Settlement.....	321,335	316,799	345,075	368,588
Escheat Property.....	91,867	74,268	43,173	50,745
Unrestricted Investment Income.....	46,797	18,159	5,285	72,262
Federal.....	—	193,033	193,033	—
Other.....	287	1,940	1,802	33
Transfers-Internal Activities.....	807,653	781,149	755,855	743,821
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>23,675,227</b>	<b>22,413,596</b>	<b>20,440,624</b>	<b>19,598,697</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Unrestricted Investment Income.....	70,609	622	29,726	—
Federal.....	—	12	44	346,891
Other.....	5,837	—	4,833	2,475
Transfers-Internal Activities.....	(807,653)	(781,149)	(755,855)	(743,821)
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>(731,207)</b>	<b>(780,515)</b>	<b>(721,252)</b>	<b>(394,455)</b>
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 22,944,020</b>	<b>\$ 21,633,081</b>	<b>\$ 19,719,372</b>	<b>\$ 19,204,242</b>
<b>CHANGE IN NET ASSETS:</b>				
Governmental Activities.....	\$ 970,851	\$ 643,816	\$ (774,906)	\$ (1,279,583)
Business-Type Activities.....	(209,517)	(212,832)	(2,147,532)	(3,118,820)
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 761,334</b>	<b>\$ 430,984</b>	<b>\$ (2,922,438)</b>	<b>\$ (4,398,403)</b>

#### Notes:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

For comparative purposes, data for fiscal years 2002 and 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expense function to other functions.

# STATE OF OHIO

## CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>REVENUES:</b>										
Income Taxes.....	\$ 9,398,979	\$ 8,479,900	\$ 8,210,130	\$ 7,982,461	\$ 8,302,892	\$ 8,098,155	\$ 7,143,344	\$ 6,828,242	\$ 5,879,016	\$ 5,890,587
Sales Taxes.....	8,135,552	7,915,493	6,470,643	6,385,248	6,248,705	6,233,089	5,834,299	5,560,402	5,262,460	5,003,024
Corporate and Public Utility Taxes.....	1,838,883	1,755,736	1,682,943	1,640,433	1,726,263	1,697,970	1,817,641	1,969,190	1,897,439	1,831,300
Motor Vehicle Fuel Taxes.....	1,753,389	1,631,632	1,462,608	1,451,767	1,457,454	1,459,374	1,445,679	1,399,948	1,351,476	1,332,294
Cigarette Taxes.....	577,698	557,543	599,943	281,292	282,481	287,710	290,566	296,645	298,407	294,463
Other Taxes.....	651,647	641,274	649,027	614,122	647,857	625,376	626,939	593,906	574,462	548,225
Licenses, Permits and Fees.....	1,851,739	1,804,291	1,564,429	1,521,736	1,219,605	1,156,379	1,137,577	1,109,895	1,073,907	805,605
Sales, Services and Charges.....	83,846	85,547	87,628	94,597	83,891	86,981	81,731	76,091	79,051	106,517
Federal Government.....	14,640,717	13,893,741	12,791,973	11,734,436	10,433,668	9,321,234	8,697,800	8,349,038	8,454,831	8,435,891
Tobacco Settlement.....	321,050	316,322	369,619	368,588	315,812	412,270	—	—	—	—
Escheat Property.....	118,719	103,767	84,642	52,628	—	—	—	—	—	—
Investment Income.....	228,186	110,876	121,592	282,457	486,817	443,566	554,915	554,523	418,799	—
Other .....	640,674	577,637	526,164	635,812	514,544	481,856	481,748	473,432	436,154	654,457
<b>TOTAL REVENUES.....</b>	<b>40,241,079</b>	<b>37,873,759</b>	<b>34,621,341</b>	<b>33,045,577</b>	<b>31,719,989</b>	<b>30,303,960</b>	<b>28,112,239</b>	<b>27,211,312</b>	<b>25,726,002</b>	<b>24,902,363</b>
<b>EXPENDITURES:</b>										
Current Operating:										
Primary, Secondary and										
Other Education.....	10,377,892	10,127,804	8,451,164	8,142,972	7,194,883	6,634,181	6,403,978	5,927,471	5,449,086	5,251,805
Higher Education Support.....	2,371,854	2,386,570	2,408,059	2,449,614	506,511	439,137	377,868	354,530	422,482	423,473
Public Assistance and Medicaid.....	14,238,367	13,617,263	12,731,148	11,854,582	10,894,942	9,488,379	8,561,652	8,462,208	8,367,021	7,936,578
Health and Human Services.....	3,278,602	3,098,669	2,894,321	2,792,890	2,555,221	2,613,853	2,548,360	2,485,176	2,328,762	2,333,583
Justice and Public Protection.....	2,903,513	2,522,823	2,348,232	2,378,120	2,232,421	2,167,402	2,035,739	1,870,507	1,761,521	1,588,026
Environmental Protection and										
Natural Resources.....	379,345	365,511	369,119	355,576	340,574	354,180	330,069	315,522	299,607	286,987
Transportation.....	2,078,918	1,807,912	1,942,040	1,897,807	1,756,201	1,680,736	1,497,553	1,494,130	1,465,258	1,319,120
General Government.....	585,332	493,237	501,966	733,591	468,791	575,576	661,011	625,275	528,592	371,996
Community and Economic										
Development.....	3,362,579	3,380,557	718,088	748,185	541,166	452,516	398,905	391,893	344,950	323,277
Intergovernmental .....	—	—	3,573,227	3,563,306	3,361,184	3,257,632	2,898,094	2,735,799	2,570,501	2,467,137
Capital Outlay.....	466,913	458,118	498,066	465,843	411,817	629,753	1,256,271	1,248,346	1,138,286	884,456
Debt service:										
Principal.....	1,162,970	877,116	815,034	783,411	765,832	697,880	673,592	620,862	644,315	604,473
Interest.....	253,260	458,330	435,970	410,193	371,705	356,115	350,533	401,556	389,633	304,661
<b>TOTAL EXPENDITURES.....</b>	<b>41,459,545</b>	<b>39,593,910</b>	<b>37,686,434</b>	<b>36,576,090</b>	<b>31,401,248</b>	<b>29,347,340</b>	<b>27,993,625</b>	<b>26,933,275</b>	<b>25,710,014</b>	<b>24,095,572</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,218,466)</b>	<b>(1,720,151)</b>	<b>(3,065,093)</b>	<b>(3,530,513)</b>	<b>318,741</b>	<b>956,620</b>	<b>118,614</b>	<b>278,037</b>	<b>15,988</b>	<b>806,791</b>

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds and Certificates of										
Participation Issued.....	1,347,285	1,574,566	1,405,000	1,200,000	903,828	1,102,374	1,270,485	871,309	1,296,255	790,504
Refunding Bonds Issued.....	706,835	247,297	1,025,040	341,451	504,786	—	173,500	339,431	342,661	10,994
Payment to Refunded Bond										
Escrow Agents.....	(768,952)	(260,146)	(1,091,881)	(339,042)	(499,750)	—	(173,376)	(338,895)	(341,716)	(10,994)
Premiums.....	142,926	111,270	188,952	37,124	—	—	—	—	—	—
Discounts.....	(94)	(7,923)	(33,649)	(2)	—	—	—	—	—	—
Capital Leases.....	335	400	3,391	1,480	—	4,924	2,257	13,720	3,970	2,225
Transfers-in.....	3,323,250	3,246,329	3,250,997	3,203,580	3,121,285	3,409,874	3,470,045	3,222,734	3,008,449	2,740,460
Transfers-out.....	(2,515,597)	(2,465,180)	(2,495,142)	(2,459,759)	(2,361,079)	(2,648,146)	(2,698,223)	(2,422,736)	(2,202,129)	(1,932,461)
Transfers to Component Units.....	—	—	—	—	(2,250,914)	(1,671,985)	(1,564,910)	(1,520,432)	(1,410,667)	(1,361,448)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,235,988</b>	<b>2,446,613</b>	<b>2,252,708</b>	<b>1,984,832</b>	<b>(581,844)</b>	<b>197,041</b>	<b>479,778</b>	<b>165,131</b>	<b>696,823</b>	<b>239,280</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ 1,017,522</b>	<b>\$ 726,462</b>	<b>\$ (812,385)</b>	<b>\$(1,545,681)</b>	<b>\$ (263,103)</b>	<b>\$ 1,153,661</b>	<b>\$ 598,392</b>	<b>\$ 443,168</b>	<b>\$ 712,811</b>	<b>\$ 1,046,071</b>
Debt Service as a Percentage of Noncapital Expenditures.....	3.6%	3.5%	3.5%	3.4%	3.8%	3.8%	N/A	N/A	N/A	N/A
<b>Additional Information:</b>										
Increase (Decrease) for										
Changes in Inventories.....	(\$1,102)	\$1,710	(\$8,143)	\$105	(\$3,961)	\$1,367	(\$2,792)	\$382	\$986	(\$8,500)
Residual Equity Transfers (Net).....	N/A	N/A	N/A	N/A	(\$2,168)	(\$3,732)	(\$5,656)	(\$5,147)	(\$5,737)	(\$29,246)

**Notes:**

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, data for fiscal years 1996 through 2001 have not been restated for the following items, which impacted the governmental funds amounts shown for fiscal year 2002 and thereafter:
  - The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
  - The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had not been reported in the General Fund.
  - Expenditure data presented after fiscal year 2001 includes payments to colleges and universities that were reported as "Transfers to Component Units" in previous years.
- For fiscal year 1996, investment income had been included in "Other" revenue.
- For comparative purposes, data for fiscal years 1996 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.
- The expenditure data for fiscal years 1996 through 1999 have not been restated for a reclassification of capital outlay expenditures to the "Higher Education Support" function and the "Intergovernmental" expenditure character. Therefore, the debt service as a percentage of noncapital expenditures is not presented for these years since the resulting percentages would not be comparable with subsequent years.

# STATE OF OHIO

## FUND BALANCES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>GENERAL FUND:</b>										
Reserved .....	\$ 627,395	\$ 661,238	\$ 557,638	\$ 556,036	\$2,154,861	\$1,485,966	\$1,562,040	\$1,518,040	\$1,438,917	\$1,348,373
Unreserved (Deficits).....	718,377	105,333	(452,491)	206,214	(46,466)	1,035,085	1,078,032	1,093,155	880,141	819,366
<b>TOTAL GENERAL FUND.....</b>	<b>1,345,772</b>	<b>766,571</b>	<b>105,147</b>	<b>762,250</b>	<b>2,108,395</b>	<b>2,521,051</b>	<b>2,640,072</b>	<b>2,611,195</b>	<b>2,319,058</b>	<b>2,167,739</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>										
Reserved.....	6,194,524	5,240,145	4,863,068	4,684,021	5,149,718	6,009,038	4,653,153	4,092,366	3,736,401	3,567,299
Unreserved (Deficits), reported in:										
Special Revenue Funds.....	(2,342,835)	(1,614,473)	(1,229,230)	(586,200)	(1,068,729)	(1,764,304)	(159,344)	35,916	(68,886)	(306,764)
Debt Service Funds.....	—	—	(49)	(21)	(473)	—	558	599	950	643
Capital Projects Funds.....	33,139	(178,063)	(252,928)	(331,359)	(94,797)	(355,200)	(180,739)	(447,492)	(129,842)	(279,641)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS.....</b>	<b>3,884,828</b>	<b>3,447,609</b>	<b>3,380,861</b>	<b>3,766,441</b>	<b>3,985,719</b>	<b>3,889,534</b>	<b>4,313,628</b>	<b>3,681,389</b>	<b>3,538,623</b>	<b>2,981,537</b>
<b>TOTAL GOVERNMENTAL FUNDS.....</b>	<b>\$5,230,600</b>	<b>\$4,214,180</b>	<b>\$3,486,008</b>	<b>\$4,528,691</b>	<b>\$6,094,114</b>	<b>\$6,410,585</b>	<b>\$6,953,700</b>	<b>\$6,292,584</b>	<b>\$5,857,681</b>	<b>\$5,149,276</b>

### Note:

When practical, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances of Governmental Funds" table and the "Condensed Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

# STATE OF OHIO

## CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)  
(dollars in thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>REVENUES:</b>										
Income Taxes .....	\$ 8,563,376	\$ 7,645,597	\$ 7,374,239	\$ 7,129,512	\$ 7,446,990	\$ 7,243,856	\$ 6,389,926	\$ 6,107,084	\$ 5,257,395	\$ 5,268,111
Sales Taxes .....	7,816,395	7,596,254	6,153,743	6,066,023	5,922,333	5,919,129	5,539,780	5,277,997	4,995,691	4,750,430
Corporate and Public Utility Taxes.....	1,468,576	1,381,752	1,302,968	1,276,159	1,604,402	1,604,604	1,718,482	1,862,497	1,794,592	1,731,956
Cigarette Taxes.....	577,671	557,532	599,941	281,290	282,481	287,709	290,563	296,627	298,407	294,460
Other Taxes .....	591,998	580,143	595,498	556,946	590,225	573,888	578,993	548,188	529,883	508,452
Licenses, Permits and Fees .....	148,877	121,953	115,199	100,858	101,352	96,954	94,789	96,411	87,511	89,249
Sales, Services and Charges .....	41,911	44,233	44,899	51,211	40,895	45,738	43,586	38,947	42,031	64,693
Federal Government .....	5,724,597	5,904,388	5,251,885	4,563,370	4,508,747	3,993,184	3,658,824	3,385,998	3,563,004	3,672,610
Escheat Property .....	118,719	103,767	84,642	52,628	—	—	—	—	—	—
Investment Income.....	140,891	43,029	33,095	145,483	234,590	287,937	399,520	381,574	277,337	—
Other .....	259,617	240,020	192,573	273,750	197,029	189,241	183,221	161,077	168,587	302,772
<b>TOTAL REVENUES .....</b>	<b>25,452,628</b>	<b>24,218,668</b>	<b>21,748,682</b>	<b>20,497,230</b>	<b>20,929,044</b>	<b>20,242,240</b>	<b>18,897,684</b>	<b>18,156,400</b>	<b>17,014,438</b>	<b>16,682,733</b>
<b>EXPENDITURES:</b>										
Current Operating .....	24,441,574	23,696,295	21,131,783	20,547,608	19,522,704	17,894,051	16,711,404	15,882,598	15,089,141	14,529,694
Intergovernmental .....	—	—	1,294,797	1,227,313	1,189,845	1,081,828	1,033,066	982,955	942,690	898,190
Capital Outlay .....	—	—	—	—	—	24,862	15,607	38,806	123,217	1,969
Debt Service .....	543	541	2,300	2,286	2,276	2,320	1,794	1,831	528	1,428
<b>TOTAL EXPENDITURES .....</b>	<b>24,442,117</b>	<b>23,696,836</b>	<b>22,428,880</b>	<b>21,777,207</b>	<b>20,714,825</b>	<b>19,003,061</b>	<b>17,761,871</b>	<b>16,906,190</b>	<b>16,155,576</b>	<b>15,431,281</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>1,010,511</b>	<b>521,832</b>	<b>(680,198)</b>	<b>(1,279,977)</b>	<b>214,219</b>	<b>1,239,179</b>	<b>1,135,813</b>	<b>1,250,210</b>	<b>858,862</b>	<b>1,251,452</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds Issued .....	419,349	613,000	470,000	400,000	—	—	—	—	—	10,159
Premiums .....	26	—	—	6,029	—	—	—	—	—	—
Capital Leases .....	122	260	2,692	1,451	—	2,668	1,575	4,737	1,107	335
Transfers-in .....	366,376	543,443	630,122	617,185	207,488	142,267	201,151	180,176	142,605	93,457
Transfers-out.....	(1,216,051)	(1,019,566)	(991,261)	(977,731)	(1,061,119)	(1,302,412)	(1,308,827)	(1,142,014)	(847,794)	(807,457)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(430,178)</b>	<b>137,137</b>	<b>111,553</b>	<b>46,934</b>	<b>(853,631)</b>	<b>(1,157,477)</b>	<b>(1,106,101)</b>	<b>(957,101)</b>	<b>(704,082)</b>	<b>(703,506)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>580,333</b>	<b>658,969</b>	<b>(568,645)</b>	<b>(1,233,043)</b>	<b>(639,412)</b>	<b>81,702</b>	<b>29,712</b>	<b>293,109</b>	<b>154,780</b>	<b>547,946</b>
<b>FUND BALANCES, JULY 1 .....</b>	<b>766,571</b>	<b>105,147</b>	<b>762,250</b>	<b>2,108,395</b>	<b>2,521,051</b>	<b>2,640,072</b>	<b>2,611,195</b>	<b>2,319,058</b>	<b>2,167,739</b>	<b>1,656,135</b>
Increase (Decrease) for Changes in Inventories.....	(1,132)	2,455	(818)	105	(741)	511	(835)	(972)	(2,252)	(889)
Residual Equity Transfers-out.....	—	—	—	—	—	—	—	—	—	(22,986)
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 1,345,772</b>	<b>\$ 766,571</b>	<b>\$ 192,787</b>	<b>\$ 875,457</b>	<b>\$ 1,880,898</b>	<b>\$ 2,722,285</b>	<b>\$ 2,640,072</b>	<b>\$ 2,611,195</b>	<b>\$ 2,320,267</b>	<b>\$ 2,180,206</b>

**Notes:**

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, revenue data for fiscal years 1996 through 2001 have not been restated for the effects of reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had not been reported in the General Fund.
- For fiscal year 1996, investment income had been included in "Other" revenue.
- Current expenditures presented for fiscal years 1996 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."
- For comparative purposes, data for fiscal years 1996 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

# ***STATE OF OHIO***

## **TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE FOR THE LAST TEN FISCAL YEARS**

*(modified accrual basis of accounting)*

*(dollars in thousands)*

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<u>Year</u>	<u>State Income Taxes</u>	<u>State Sales Taxes</u>	<u>Total</u>
2005	\$9,398,979	\$8,135,552	\$17,534,531
2004	8,479,900	7,915,493	16,395,393
2003	8,210,130	6,470,643	14,680,773
2002	7,982,461	6,385,248	14,367,709
2001	8,302,892	6,248,705	14,551,597
2000	8,098,155	6,233,089	14,331,244
1999	7,143,344	5,834,299	12,977,643
1998	6,828,242	5,560,402	12,388,644
1997	5,879,016	5,262,460	11,141,476
1996	5,890,587	5,003,024	10,893,611



# STATE OF OHIO

## PERSONAL INCOME BY INDUSTRY AND DIRECT STATE INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

(dollars in millions)

Industry	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Services.....	\$93,224	\$82,694	\$84,835	\$82,306	\$58,012	\$55,182	\$51,987	\$48,511	\$45,475	\$43,703
Manufacturing.....	54,686	55,520	52,775	52,703	54,255	54,358	53,928	52,317	51,493	51,343
Government.....	42,545	38,966	37,656	35,906	33,385	31,380	26,041	25,120	24,242	23,491
Wholesale and Retail Trade.....	33,379	32,395	31,910	31,735	36,309	34,230	33,276	31,148	29,465	28,240
Finance, Insurance, and Real Estate.....	22,179	20,850	19,534	18,912	16,107	15,163	13,974	12,545	11,525	10,409
Construction.....	14,730	14,110	13,891	13,865	13,075	12,555	11,667	10,822	10,134	9,433
Transportation and Public Utilities.....	11,164	10,725	10,438	10,332	12,972	12,306	11,710	10,933	10,509	10,317
Other .....	84,867	87,273	80,929	79,960	98,317	90,469	80,337	79,345	79,234	74,101
Total Personal Income.....	<u>\$356,774</u>	<u>\$342,533</u>	<u>\$331,968</u>	<u>\$325,719</u>	<u>\$322,432</u>	<u>\$305,643</u>	<u>\$282,920</u>	<u>\$270,741</u>	<u>\$262,077</u>	<u>\$251,037</u>
Direct State Income Tax Rates.....	2.63%	2.48%	2.47%	2.46%	2.57%	2.65%	2.51%	2.51%	2.25%	2.35%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Department of Taxation

**STATE OF OHIO****SALES TAX REVENUE BY TYPE  
FOR THE LAST TEN FISCAL YEARS***(cash basis of accounting)**(dollars in thousands)*

Type	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Vendors' Sales.....	\$6,957,051	\$6,601,482	\$5,630,678	\$5,322,500	\$4,710,651	\$4,680,221	\$4,385,969	\$4,131,889	\$3,954,565	\$3,784,687
Motor Vehicles and Watercraft.....	1,122,538	1,183,196	1,024,026	965,261	1,470,319	1,474,251	1,352,136	1,263,594	1,135,403	1,084,168
Alcoholic Beverages.....	26,878	24,918	20,341	19,562	18,671	17,547	16,626	16,036	15,446	14,863
Delinquencies and Assessments.....	24,867	25,099	26,389	36,215	37,468	47,663	66,853	136,680	145,673	108,927
Permissive Taxes:										
County Levies.....	12,157	11,984	11,360	10,910	10,854	10,737	10,218	9,843	9,191	8,298
Transit Authorities.....	2,907	2,835	2,764	2,662	2,748	2,670	2,497	2,360	2,182	2,081
Total Sales Tax Revenue.....	<u><u>\$8,146,398</u></u>	<u><u>\$7,849,514</u></u>	<u><u>\$6,715,558</u></u>	<u><u>\$6,357,110</u></u>	<u><u>\$6,250,711</u></u>	<u><u>\$6,233,089</u></u>	<u><u>\$5,834,299</u></u>	<u><u>\$5,560,402</u></u>	<u><u>\$5,262,460</u></u>	<u><u>\$5,003,024</u></u>

Source: Ohio Office of Budget and Management

# STATE OF OHIO

## RATES FOR STATE INDIVIDUAL INCOME TAX AND SALES TAX FOR THE LAST TEN YEARS

### MARGINAL INCOME TAX RATES BY CALENDAR YEAR

Ohio Taxable Income	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
\$0 - \$5,000	0.743%	0.743%	0.743%	0.743%	0.691%	0.716%	0.673%	0.713%	0.693%	0.743%
\$5,001 - \$10,000	1.486%	1.486%	1.486%	1.486%	1.383%	1.432%	1.347%	1.426%	1.387%	1.486%
\$10,001 - \$15,000	2.972%	2.972%	2.972%	2.972%	2.766%	2.864%	2.694%	2.853%	2.775%	2.972%
\$15,001 - \$20,000	3.715%	3.715%	3.715%	3.715%	3.458%	3.580%	3.368%	3.566%	3.469%	3.715%
\$20,001 - \$40,000	4.457%	4.457%	4.457%	4.457%	4.148%	4.295%	4.040%	4.279%	4.162%	4.457%
\$40,001 - \$80,000	5.201%	5.201%	5.201%	5.201%	4.841%	5.012%	4.715%	4.993%	4.857%	5.201%
\$80,001 - \$100,000	5.943%	5.943%	5.943%	5.943%	5.531%	5.727%	5.388%	5.706%	5.550%	5.943%
\$100,001 - \$200,000	6.900%	6.900%	6.900%	6.900%	6.422%	6.650%	6.255%	6.624%	6.444%	6.900%
\$200,001 & above	7.500%	7.500%	7.500%	7.500%	6.980%	7.228%	6.799%	7.201%	7.004%	7.500%

### SALES TAX RATES BY FISCAL YEAR

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Base State Sales Tax Rates	6.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Source: Ohio Department of Taxation

# STATE OF OHIO

## STATE INDIVIDUAL INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

Year	Top Rate for Income in Excess of \$200,000	Personal Exemption for Taxpayer and Spouse	Dependent Exemption	Exemption Credit per Taxpayer, Spouse, and Dependent	Average Effective Rate(A)
2004	7.500%	\$1,300	\$1,300	\$20	2.64%
2003	7.500%	1,250	1,250	20	2.48%
2002	7.500%	1,200	1,200	20	2.47%
2001	7.500%	1,150	1,150	20	2.46%
2000	6.980%	1,100	1,100	20	2.57%
1999	7.228%	1,050	1,050	20	2.65%
1998	6.799%	950	1,050	20	2.51%
1997	7.201%	850	1,050	20	2.51%
1996	7.004%	750	850	20	2.25%
1995	7.500%	650	650	20	2.35%

### Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Department of Taxation

### Note:

(A) The average effective rate is calculated by dividing individual income tax revenue (cash basis) for the subsequent fiscal year by personal income for the calendar year.

# STATE OF OHIO

## STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2003 WITH COMPARATIVES FOR TAX YEAR 1994 (NINE YEARS AGO)

2003 TAX YEAR (most recent information available)						
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns		Ohio Income Tax Liability		
		Number	Percentage of Total Returns	Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$200,001 & Above	\$68,263,241	90,918	1.72%	\$2,231,591	27.70%	3.27%
\$100,001-\$200,000	36,916,445	283,017	5.34%	1,576,816	19.57%	4.27%
\$80,001-\$100,000	24,052,346	270,765	5.11%	883,279	10.96%	3.67%
\$40,001-\$80,000	76,047,350	1,345,945	25.40%	2,320,321	28.80%	3.05%
\$20,001-\$40,000	42,758,888	1,460,565	27.56%	915,391	11.36%	2.14%
\$15,001-\$20,000	7,822,220	447,227	8.44%	83,878	1.04%	1.07%
\$10,001-\$15,000	5,660,073	453,135	8.55%	34,599	0.43%	0.61%
\$5,001-\$10,000	3,533,586	473,644	8.94%	10,336	0.13%	0.29%
\$5,000 & Under	1,295,483	473,934	8.94%	414	0.01%	0.03%
	<u>\$266,349,632</u>	<u>5,299,150</u>	<u>100.00%</u>	<u>\$8,056,625</u>	<u>100.00%</u>	<u>3.02%</u>
1994 TAX YEAR						
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns		Ohio Income Tax Liability		
		Number	Percentage of Total Returns	Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$200,001 & Above	\$28,293,016	44,834	0.90%	\$1,137,338	22.47%	4.02%
\$100,001-\$200,000	15,093,276	114,285	2.30%	662,411	13.09%	4.39%
\$80,001-\$100,000	9,780,976	110,431	2.23%	368,540	7.28%	3.77%
\$40,001-\$80,000	56,433,743	1,039,585	20.96%	1,758,131	34.73%	3.12%
\$20,001-\$40,000	41,675,264	1,449,235	29.21%	947,926	18.71%	2.27%
\$15,001-\$20,000	9,088,869	520,174	10.49%	117,318	2.32%	1.29%
\$10,001-\$15,000	6,966,479	558,272	11.25%	53,997	1.07%	0.78%
\$5,001-\$10,000	4,107,771	546,691	11.02%	15,776	0.31%	0.38%
\$5,000 & Under	1,507,247	577,566	11.64%	925	0.02%	0.06%
	<u>\$172,946,641</u>	<u>4,961,073</u>	<u>100.00%</u>	<u>\$5,062,362</u>	<u>100.00%</u>	<u>2.93%</u>

Source: Ohio Department of Taxation

**Note:**

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

# STATE OF OHIO

## WORKERS' COMPENSATION ENTERPRISE FUND ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME AND ACTUAL AVERAGE COLLECTED PREMIUM RATE FOR THE LAST NINE FISCAL YEARS

	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Active Employers by Type</b>									
Private.....	283,733	283,620	278,494	272,195	268,485	268,539	263,384	269,637	278,444
Public (Local).....	3,765	3,733	3,717	3,687	3,655	3,649	3,809	3,793	3,644
Public (State).....	129	126	129	128	129	127	123	124	121
Self-Insured.....	1,127	1,104	1,092	1,181	1,163	1,327	1,245	1,210	1,159
Black Lung.....	37	36	36	37	39	37	41	42	45
Marine Fund.....	82	90	87	78	97	93	86	120	112
Total.....	<u>288,873</u>	<u>288,709</u>	<u>283,555</u>	<u>277,306</u>	<u>273,568</u>	<u>273,772</u>	<u>268,688</u>	<u>274,926</u>	<u>283,525</u>
<b>Premium &amp; Assessment Income</b> <i>(dollars in thousands)</i>									
Premium Income.....	\$1,732,564	\$1,743,766	\$1,723,294	\$1,880,463	\$1,606,123	\$2,287,884	\$1,642,210	\$1,435,927	\$1,628,858
Assessment Income.....	462,009	488,889	508,039	482,222	414,935	432,398	389,817	391,690	417,223
Provision for Uncollectibles.....	(68,070)	(105,873)	(56,395)	(66,553)	(65,454)	(77,270)	(29,387)	2,442	(86,563)
Total Premium & Assessment Income.....	<u>\$2,126,503</u>	<u>\$2,126,782</u>	<u>\$2,174,938</u>	<u>\$2,296,132</u>	<u>\$1,955,604</u>	<u>\$2,643,012</u>	<u>\$2,002,640</u>	<u>\$1,830,059</u>	<u>\$1,959,518</u>
<b>Actual Average Collected Premium Rate per \$100 of Payroll:</b>									
Private Employers.....	\$1.77	\$1.71	\$1.65	\$1.65	\$1.69	\$1.83	\$2.00	\$2.02	\$2.21
Public Employers-Taxing Districts.....	1.77	1.74	1.66	1.53	1.49	1.41	1.46	1.65	1.79

**Sources:**

Ohio Bureau of Workers' Compensation Year-End Statistics Report  
Ohio Bureau of Workers' Compensation Actuarial Report

**Note:**

For state fiscal year 1996, information was not readily available, since prior to state fiscal year 1997, the Bureau of Workers' Compensation reported on a calendar-year basis.

# STATE OF OHIO

## LOTTERY COMMISSION ENTERPRISE FUND TICKET SALES BY MAJOR GAME TYPE FOR THE LAST TEN FISCAL YEARS

(dollars in millions)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Online Games:										
Pick 3.....	\$ 387.7	\$ 396.8	\$ 401.8	\$ 409.2	\$ 419.0	\$ 427.3	\$ 399.4	\$ 421.1	\$ 435.6	\$ 450.6
Pick 4.....	170.1	165.2	154.2	154.6	150.7	144.6	125.1	124.0	116.5	108.2
Buckeye 5/Rolling Cash 5 .....	74.8	66.6	68.9	62.4	56.5	62.2	69.9	73.5	78.8	87.3
Super Lotto .....	113.0	143.8	160.7	297.9	262.5	336.6	364.4	384.9	410.6	455.8
Kicker.....	19.9	24.5	27.3	45.0	42.9	52.9	57.2	60.5	63.5	66.7
Mega Millions.....	176.4	191.8	176.2	16.5	—	—	—	—	—	—
Total Online Games.....	941.9	988.7	989.1	985.6	931.6	1,023.6	1,016.0	1,064.0	1,105.0	1,168.6
Instant Games.....	1,217.2	1,166.0	1,089.1	997.5	988.3	1,126.8	1,128.7	1,131.8	1,195.0	1,146.1
Total Ticket Sales.....	<u>\$ 2,159.1</u>	<u>\$ 2,154.7</u>	<u>\$ 2,078.2</u>	<u>\$ 1,983.1</u>	<u>\$ 1,919.9</u>	<u>\$ 2,150.4</u>	<u>\$ 2,144.7</u>	<u>\$ 2,195.8</u>	<u>\$ 2,300.0</u>	<u>\$ 2,314.7</u>

Source: Ohio Lottery Commission

# STATE OF OHIO

## RATIOS OF OUTSTANDING DEBT BY TYPE FOR THE LAST TEN FISCAL YEARS

<i>(dollars in thousands)</i>										
As of June 30,	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Special Obligation Bonds	Certificates of Participation	Capital Leases	Revenue Bonds	Capital Leases			
2005	\$6,039,203	\$591,888	\$3,699,936	\$92,142	\$2,471	\$151,063	\$205	\$10,576,908	2.96%	\$923
2004	5,420,711	607,958	3,914,168	6,480	3,460	158,578	30,368	10,141,723	2.96%	887
2003	4,603,842	450,598	4,093,614	7,370	4,888	167,310	44,151	9,371,773	2.82%	821
2002	3,771,129	297,638	4,389,102	9,900	3,933	190,723	57,171	8,719,596	2.68%	766
2001	3,034,037	218,900	4,731,842	12,305	4,722	202,614	199	8,204,619	2.54%	722
2000	2,461,673	232,785	4,973,657	14,590	6,190	213,963	3,072	7,905,930	2.59%	697
1999	1,962,402	224,760	5,062,344	16,765	6,087	223,679	3,733	7,499,770	2.65%	663
1998	1,568,183	236,805	4,831,558	18,615	14,035	232,147	16,674	6,918,017	2.56%	613
1997	1,598,596	171,595	4,664,837	26,630	12,072	242,278	15,625	6,731,633	2.57%	599
1996	1,304,564	67,490	4,448,836	27,895	13,042	249,768	24,566	6,136,161	2.44%	548

### Note:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.



# STATE OF OHIO

## RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS

As of June 30,	Bonded Debt (dollars in thousands)					Per Capita Net Bonded Debt
	General Obligation Bonds	Special Obligation Bonds	Less Amount Reserved for Debt Service	Net Bonded Debt	Percentage of Personal Income	
2005	\$6,039,203	\$3,699,936	\$39,877	\$9,699,262	2.72%	\$846
2004	5,420,711	3,914,168	71,736	9,263,143	2.70%	810
2003	4,603,842	4,093,614	102,055	8,595,401	2.59%	753
2002	3,771,129	4,389,102	94,323	8,065,908	2.48%	708
2001	3,034,037	4,731,842	108,591	7,657,288	2.37%	674
2000	2,461,673	4,973,657	112,300	7,323,030	2.40%	646
1999	1,962,402	5,062,344	118,549	6,906,197	2.44%	611
1998	1,568,183	4,831,558	141,230	6,258,511	2.31%	555
1997	1,598,596	4,664,837	254,751	6,008,682	2.29%	534
1996	1,304,564	4,448,836	386,059	5,367,341	2.14%	479

### Note:

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

### Debt Service Fund:

Coal Research/Development General Obligations  
Improvements General Obligations  
Highway Improvements General Obligations  
Development General Obligations  
Highway General Obligations  
Public Improvements General Obligations  
Vietnam Conflict Compensation General Obligations  
Local Infrastructure Improvements General Obligations  
State Projects General Obligations  
Highway Capital Improvements General Obligations  
Higher Education Capital Facilities General Obligations  
Common Schools Capital Facilities General Obligations  
Conservation Projects General Obligations

Higher Education Facilities Special Obligations  
Mental Health Facilities Special Obligations  
Parks and Recreation Facilities Special Obligations  
School Building Program Special Obligations  
Ohio Building Authority Special Obligations

### Capital Projects Fund:

Mental Health/Mental Retardation Facilities Improvements  
Parks and Recreation Improvements  
Adult Correctional Building Improvements  
Highway Safety Building Improvements  
Ohio Parks and Natural Resources  
Highway Capital Improvement

# STATE OF OHIO

## ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS) FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Debt Service Expenditures.....	\$1,097,800	\$1,013,200	\$959,490	\$926,142	\$918,248	\$871,314	\$843,207	\$771,015	\$726,496	\$701,007
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund.....	\$26,195,600	\$24,678,900	\$23,055,920	\$22,072,703	\$21,921,276	\$20,711,678	\$19,736,608	\$18,833,028	\$17,964,425	\$17,288,649
Calculation of Annual 5% Debt Service Cap.....	\$1,309,780	\$1,233,945	\$1,152,796	\$1,103,635	\$1,096,064	\$1,035,584	\$986,830	\$941,651	\$898,221	\$864,432
Amount Under the Debt Service Expenditure Cap.....	\$211,980	\$220,745	\$193,306	\$177,493	\$177,816	\$164,270	\$143,623	\$170,636	\$171,725	\$163,425
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....	4.19%	4.11%	4.16%	4.20%	4.19%	4.21%	4.27%	4.09%	4.04%	4.05%

### Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

# STATE OF OHIO

## REVENUE BOND COVERAGE FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

### Economic Development and Revitalization Project Revenue Bonds

Issuer: Treasurer of State

Fiscal Year	Liquor Control Enterprise Fund			Debt Service Requirements			
	Gross Liquor Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2005	\$556,213	\$400,878	\$155,335	\$9,130	\$19,170	\$28,300	5.49
2004	520,161	374,275	145,886	8,195	15,627	23,822	6.12
2003	493,195	354,318	138,877	5,415	11,898	17,313	8.02
2002	470,515	338,926	131,589	5,060	11,074	16,134	8.16
2001	454,268	327,083	127,185	4,740	11,392	16,132	7.88
2000	428,085	310,620	117,465	4,450	11,685	16,135	7.28
1999	397,018	289,853	107,165	4,175	11,952	16,127	6.65
1998	380,791	276,085	104,706	3,790	12,189	15,979	6.55
1997	366,636	270,525	96,111	9,330	6,738	16,068	5.98
1996	350,744	265,820	84,924	14,410	3,851	18,261	4.65

### Infrastructure Bank Revenue Bonds

Issuer: Treasurer of State

Fiscal Year	Highway Operating Fund			Debt Service Requirements			
	GARVEE Receipts(A)	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2005	\$66,592	N/A	\$66,592	\$53,045	\$14,020	\$67,065	0.99
2004	65,542	N/A	65,542	38,380	11,459	49,839	1.32
2003	49,409	N/A	49,409	37,965	11,653	49,618	1.00
2002	27,414	N/A	27,414	20,690	7,417	28,107	0.98
2001	11,454	N/A	11,454	7,825	3,606	11,431	1.00
2000	10,140	N/A	10,140	6,320	3,816	10,136	1.00
1999	10,931	N/A	10,931	6,775	4,001	10,776	1.01

(Continued)

### Notes:

(A) The State first issued the Infrastructure Bank Revenue Bonds in fiscal year 1999. GARVEE stands for Grant Anticipation Revenue Vehicles, which are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

# STATE OF OHIO

## REVENUE BOND COVERAGE FOR THE LAST TEN FISCAL YEARS (Continued)

(dollars in thousands)

### Ohio Building Authority Revenue Bonds

Fiscal Year	Ohio Building Authority Enterprise Fund			Debt Service Requirements			
	Gross Revenues(B)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2005	\$27,257	\$26,562	\$695	\$1,691	\$408	\$2,099	0.33
2004	26,484	26,881	(397)	3,730	5,544	9,274	N/A
2003	27,388	29,330	(1,942)	3,531	1,394	4,925	N/A
2002	32,488	32,031	457	3,359	1,565	4,924	0.09
2001	31,106	30,598	508	3,194	1,728	4,922	0.10
2000	30,999	33,862	(2,863)	3,039	1,882	4,921	N/A
1999	29,797	29,097	700	2,893	2,029	4,922	0.14
1998	31,018	25,270	5,748	2,736	2,264	5,000	1.15
1997	27,929	26,913	1,016	3,480	1,801	5,281	0.19
1996	28,251	22,473	5,778	2,602	3,279	5,881	0.98

### Bureau of Workers' Compensation Revenue Bonds Issuer: Ohio Building Authority

Fiscal Year	Workers' Compensation Enterprise Fund			Debt Service Requirements			
	Gross Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2005	\$3,140,489	\$3,209,646	(\$69,157)	\$5,300	\$6,578	\$11,878	N/A
2004	3,388,523	3,056,227	332,296	—	6,183	6,183	53.74
2003	2,759,594	4,070,231	(1,310,637)	10,000	8,175	18,175	N/A
2002	1,946,105	4,547,191	(2,601,086)	9,000	8,571	17,571	N/A
2001	2,549,227	4,460,581	(1,911,354)	8,000	8,915	16,915	N/A
2000	4,361,511	3,128,723	1,232,788	7,000	9,209	16,209	76.06
1999	3,625,174	2,462,056	1,163,118	6,000	9,455	15,455	75.26
1998	5,115,778	5,891,409	(775,631)	5,000	9,655	14,655	N/A
1997	4,348,344	2,696,867	1,651,477	4,000	9,807	13,807	119.61
Calendar Year(C)							
1995	3,365,892	2,264,097	1,101,795	2,000	9,947	11,947	92.22

#### Notes (Continued):

(B) Gross revenues consists operating revenues and investment income.

(C) Prior to fiscal year 1997, the Bureau of Workers' Compensation reported on a calendar-year basis.

# STATE OF OHIO

## DEMOGRAPHIC AND ECONOMIC STATISTICS FOR THE LAST TEN CALENDAR YEARS

Calendar Year	Population (in thousands)				Per Capita Personal Income			Civilian Labor Force		Public School Enrollment in Ohio (in thousands)	Motor Vehicles Registered in Ohio
	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.	Ohioans Employed	Ohio's Unemployment Rate		
2004	293,655	2,866	11,459	21	\$33,041	\$31,135	94.2%	6,732,896	6.1%	1,844	12,192,202
2003	290,789	2,848	11,438	28	31,487	29,947	95.1%	6,668,862	6.1%	1,838	12,083,529
2002	287,941	2,839	11,410	22	30,814	29,094	94.4%	6,688,303	5.7%	1,831	12,064,420
2001	285,102	2,910	11,388	24	30,575	28,602	93.5%	6,757,667	4.3%	1,835	11,888,533
2000	282,192	3,152	11,364	29	29,845	28,373	95.1%	6,835,688	4.1%	1,836	11,740,513
1999	279,040	3,186	11,335	23	27,939	26,965	96.5%	6,746,632	4.3%	1,842	11,581,700
1998	275,854	3,207	11,312	35	26,883	25,011	93.0%	6,660,094	4.3%	1,847	11,399,641
1997	272,647	3,253	11,277	34	25,334	24,008	94.8%	6,540,651	4.6%	1,845	11,196,310
1996	269,394	3,116	11,243	40	24,175	23,310	96.4%	6,437,192	4.9%	1,838	11,023,868
1995	266,278	2,476	11,203	39	23,076	22,408	97.1%	6,340,680	4.8%	1,828	10,871,675

### Sources:

U.S. Census Bureau for population information  
 Bureau of Economic Analysis for personal income and employment information  
 Ohio Department of Job and Family Services for unemployment rates  
 Ohio Department of Education for school enrollment  
 Ohio Department of Public Safety for motor vehicle registrations

**STATE OF OHIO**  
**PRINCIPAL EMPLOYERS**  
**FOR CALENDAR YEARS 2003 AND 1995**

Employer	2003 (A)			1995		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government (B)	80,502	1	1.21%	92,286	1	1.46%
State of Ohio	59,247	2	0.89%	63,145	2	1.00%
Wal-Mart Stores	42,800	3	0.64%	15,100	10	0.24%
Kroger Company	32,700	4	0.49%	21,700	5	0.34%
Cleveland Clinic Health System	28,950	5	0.43%			
University Hospitals Health System	25,000	6	0.37%			
The Ohio State University	22,100	7	0.33%	21,663	6	0.34%
General Motors Corporation	21,900	8	0.33%	63,200	3	1.00%
General Electric Company	20,000	9	0.30%	18,500	7	0.29%
Meijer, Inc.	20,000	9	0.30%			
Ford Motor Company				24,000	4	0.38%
University of Cincinnati				18,397	8	0.29%
Kmart Corporation				17,300	9	0.27%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
U.S. Census Bureau  
Ohio Department of Development, Office of Strategic Research  
Ohio Department of Administrative Services  
The Ohio State University, University Resource Planning and Institutional Analysis  
University of Cincinnati, Controller's Office

**Notes:**

(A) Calendar year 2003 was the most recent year for which data was available.

(B) Employment data by state for the federal government is only available for even-numbered years. Therefore, data presented pertains to calendar year 2002.

# STATE OF OHIO

## FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	Number of Employees									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Primary, Secondary and Other Education.....	1,186	1,201	1,168	1,182	1,129	1,052	1,001	973	923	941
Higher Education Support.....	81	83	94	89	83	78	79	82	95	229
Public Assistance and Medicaid.....	3,272	3,115	3,621	3,493	3,673	3,746	3,791	3,901	3,925	4,046
Health and Human Services.....	11,037	11,144	10,984	11,036	11,443	11,511	11,682	11,866	12,174	12,600
Justice and Public Protection.....	23,683	23,319	23,705	24,138	25,627	25,229	24,797	23,992	23,311	22,079
Environmental Protection and Natural Resources.....	3,146	3,232	3,253	3,311	3,514	3,492	3,510	3,585	3,602	3,629
Transportation.....	5,808	5,819	5,899	5,905	5,912	6,064	6,396	6,501	6,596	7,300
General Government.....	5,362	5,400	5,350	5,439	5,537	5,382	5,386	5,342	5,462	5,461
Community and Economic Development.....	1,029	1,007	1,009	1,095	1,097	1,077	1,052	1,076	1,062	1,043
Workers' Compensation.....	2,668	2,675	2,759	2,815	2,938	3,029	3,044	3,163	3,478	3,693
Lottery Commission.....	335	339	345	358	358	352	359	363	363	379
Unemployment Compensation.....	590	613	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)
Other.....	972	1,018	1,060	1,080	1,056	992	958	951	932	936
Total.....	<u>59,169</u>	<u>58,965</u>	<u>59,247</u>	<u>59,941</u>	<u>62,367</u>	<u>62,004</u>	<u>62,055</u>	<u>61,795</u>	<u>61,923</u>	<u>62,336</u>

Source:  
Ohio Department of Administrative Services

### Note:

(A) For fiscal year 2003 and prior, the number of individuals employed in the Unemployment Compensation Program is included in the number of employees reported for the Public Assistance and Medicaid Function.

# STATE OF OHIO

## OPERATING INDICATORS BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>Primary, Secondary and Other Education</i>										
Ohio Department of Education:										
Fall Student Enrollment.....	1,845,351	1,843,898	1,838,068	1,830,958	1,834,888	1,836,491	1,842,102	1,846,984	1,844,621	1,837,708
Public School Districts.....	612	611	611	611	611	611	611	611	611	611
Community School Districts (A).....	248	164	129	93	71	48	15	(B)	(B)	(B)
Vocational School Districts.....	49	49	49	49	49	49	49	49	49	49
<i>Higher Education Support</i>										
Ohio Board of Regents:										
Student Enrollment at State-Assisted Institutions...	457,333	457,281	450,470	445,879	428,880	415,948	420,458	408,648	410,745	414,802
State-Assisted Institutions.....	39	38	38	38	38	38	38	38	40	40
<i>Public Assistance and Medicaid</i>										
Ohio Department of Job and Family Services:										
Individuals with Medicaid Coverage.....	(C)	(C)	1,881,640	1,750,700	1,676,157	1,409,705	1,387,581	1,410,020	1,486,389	1,550,322
<i>Health and Human Services</i>										
Ohio Department of Alcohol & Drug Addiction Services:										
Clients Treated (D).....	(C)	89,389	89,894	92,941	80,216	73,024	97,007	95,221	93,522	86,147
Ohio Department of Aging:										
Clients Served-PASSPORT.....	31,559	29,093	27,055	24,742	24,488	22,720	21,920	21,096	19,828	17,826
Clients Served-Congregate Meals.....	75,279	77,478	75,883	68,859	66,921	65,547	63,494	66,032	67,456	72,309
Clients Served-Home Delivered Meals.....	46,304	44,853	44,726	39,721	39,339	37,533	38,281	38,129	39,425	39,940
Clients Served-Transportation Provided.....	30,517	31,421	30,670	32,951	34,519	33,514	33,743	35,154	37,433	43,177
Ohio Department of Health:										
Average Monthly Caseload-Women, Infants, & Children.....	(C)	267,300	255,804	253,923	247,092	245,195	245,994	250,815	254,668	258,400
Ohio Department of Mental Health:										
Clients Served.....	7,669	7,486	7,427	7,775	6,990	7,223	7,153	7,007	7,291	9,225
Facilities' Admissions.....	6,584	6,399	6,307	6,641	5,847	6,006	5,950	5,727	5,944	7,578
Facilities' Average Daily Residence Population.....	1,034	1,046	1,056	1,084	1,109	1,156	1,187	1,187	1,278	1,490
Ohio Department of Mental Retardation and Developmental Disabilities:										
Individuals Served.....	(C)	335,814	342,678	375,503	390,130	332,351	(E)	(E)	(E)	(E)
Facilities' Average Daily Residence Population.....	(C)	2,826	2,979	3,017	3,079	3,154	(E)	(E)	(E)	(E)



Function/Program	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>Justice and Public Protection</i>										
Ohio Department of Public Safety:										
Crashes Investigated.....	(C)	82,964	84,340	80,641	79,204	83,493	79,364	77,071	79,591	(E)
Total Arrests.....	(C)	(C)	900,213	995,817	947,785	907,198	900,238	853,057	770,660	(E)
Ohio Department of Rehabilitation and Correction:										
Inmate Population.....	44,142	44,350	45,284	44,868	45,505	46,619	48,171	47,808	45,962	44,338
<i>Transportation</i>										
Ohio Department of Transportation:										
Pavement Resurfacing (in miles):										
Two-Lane.....	2,535	1,280	1,275	728	753	749	(E)	(E)	(E)	(E)
Four-Lane.....	563	234	233	147	201	104	(E)	(E)	(E)	(E)
Interstate.....	371	134	4	75	103	147	(E)	(E)	(E)	(E)
<i>Workers' Compensation</i>										
Ohio Bureau of Workers' Compensation:										
Claims Filed.....	197,083	207,847	228,128	233,368	(E)	(E)	(E)	(E)	(E)	(E)
Open Claims.....	1,792,944	1,930,550	2,157,516	2,224,466	(E)	(E)	(E)	(E)	(E)	(E)
<i>Lottery</i>										
Ohio Lottery Commission:										
Prize Awards Paid (in billions).....	\$1.28	\$1.28	\$1.21	\$1.15	\$1.11	\$1.27	\$1.26	\$1.24	\$1.31	\$1.30
Bonuses and Commissions Paid (in millions).....	\$133.8	\$132.8	\$137.0	\$126.6	\$120.2	\$135.0	\$134.6	\$137.8	\$144.7	\$145.6
Transfers to										
Lottery Profits Education Fund (in millions).....	\$645.1	\$655.6	\$641.4	\$635.2	\$637.0	\$686.0	\$696.3	\$723.9	\$748.5	\$726.5
<i>Unemployment Compensation</i>										
Ohio Department of Job and Family Services:										
Initial Claims.....	689,412	750,783	812,169	842,819	724,569	483,674	542,961	567,135	(E)	(E)
Continuing Claims.....	5,352,206	6,395,391	6,733,498	6,895,871	4,823,773	3,521,349	3,798,915	3,705,906	(E)	(E)

Sources: Various state agencies, as noted above.

#### Notes:

- (A) The number of community school districts include only those with fall enrollment.
- (B) In fiscal year 1999, community schools began operating in the State.
- (C) Recent data from the source was not available, as of the date of publication.
- (D) In fiscal year 2000, the Ohio Department of Alcohol & Drug Addiction Services began using the Multi-Agency Community Services Information System, which tracks clients served rather than services provided. The change in the tracking methodology resulted in the large decrease in the number of clients reported as being treated between fiscal years 1999 and 2000.
- (E) Data for the year indicated was not readily available.

# STATE OF OHIO

## CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>Health and Human Services</i>										
Mental Retardation and Developmental Disabilities Institutions.....	12	12	12	12	12	12	12	12	12	12
Mental Health Institutions.....	9	9	9	9	9	9	9	9	9	10
<i>Justice and Public Protection</i>										
Rehabilitation and Correction Institutions.....	28	28	29	29	30	30	29	29	27	27
Youth Services Institutions.....	10	10	10	10	10	10	11	11	11	11
<i>Environmental Protection and Natural Resources</i>										
Number of State Parks.....	74	74	74	74	73	73	73	72	72	72
Area of State Parks, Natural & Wildlife Lands (in acres).....	314,646	310,964	309,271	302,983	301,681	300,063	295,378	293,293	279,711	262,919
Area of State Forest Lands (in acres).....	191,117	185,838	185,709	185,311	184,383	184,016	183,499	182,223	182,173	180,906
<i>Transportation (A)</i>										
Infrastructure Assets (B):										
Pavement (in lane-miles):										
Priority Subsystem.....	12,355	12,225	12,210	12,114	(C)	(C)	(C)	(C)	(C)	(C)
General Subsystem.....	30,207	30,246	30,317	30,487	(C)	(C)	(C)	(C)	(C)	(C)
Bridges:										
Number of Bridges.....	12,544	12,416	12,394	12,489	(C)	(C)	(C)	(C)	(C)	(C)
Deck Area (in thousand square feet).....	82,684	82,260	80,608	81,012	(C)	(C)	(C)	(C)	(C)	(C)

### Sources:

Ohio Department of Mental Retardation and Developmental Disabilities  
 Ohio Department of Mental Health  
 Ohio Department of Public Safety  
 Ohio Department of Rehabilitation and Correction  
 Ohio Department of Youth Services  
 Ohio Department of Natural Resources  
 Ohio Department of Transportation

### Notes:

- (A) Data presented is for the calendar year.  
 (B) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.  
 (C) Information on infrastructure balances for years prior to 2002 is unavailable.

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